Exploring the meaning of money: A study of the impact of microfinance in Koppal district of India

Smita Premchamider,

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Smita Premchander

2006

Revised thesis submitted in fulfilment of the requirements for the Degree of Doctor of Philosophy to Durham Business School, University Of Durham, UK

University of Durham

Durham BUSINESS SCHOOL

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Abstract

The proliferation of microfinance worldwide has been due to its claimed impacts on poverty reduction and women's empowerment. Conversely, it has been criticised for furthering the neoliberal policies of external agencies by using poor women's entrepreneurship and mutual trust as a joint liability mechanism to reduce the costs and risks for the capital provider. Set against this, Indian microfinance exhibits a wide spectrum of delivery models, from subsidized to unsubsidized and commercial credit. Microfinance impact literature considers its impact to be neutral to the process of delivery and therefore contains few cross model comparisons. It privileges the dominant policy model of primarily positive impacts, and has overlooked rather than examined differing worldviews. This research questions external perspectives and explores actor perspectives.

This research is located in a semi-arid livelihoods context, i.e. the Koppal district in Karnataka State, India. It takes a critical and interpretive approach and adopts a longitudinal case study methodology to examine use of money from women's own perspectives. The field work shows that loan demand is context dependent and low in a semi-arid region with uncertain and risky investment opportunities. Microfinance provided by informal sources was used for survival and social needs. Three models of formal microfinance delivery emerged, of which two relegated the poor to the margins but the SHG-Bank linkage model combined poverty focus and market orientation to offer a stable borrower lender relationship.

The field research also considered the social learning process that takes place among Self Help Groups (SHGs) in the utilisation and repayment of microfinance. The women differentiate money delivered in different ways, and social relationships determined financial relationships. This research reveals multiple meanings of money, recognises new opportunities and vulnerabilities created by formation of SHGs, and highlights that microfinance models which provide women access and control over money enhanced their decision making ability and so were the most empowering.

Declaration

No portion of the work in this thesis has been submitted in support of an application for another degree or qualification of this or any other university or other institute of learning.

The work reported within was executed by myself, and all information cited are acknowledged at the appropriate points in the text. Every effort has been made to describe correctly the participating organisations and the views expressed by the participants. I apologise and take the sole responsibility for any errors.

Statement of Copyright

Acknowledgements

My first and deepest commitment is to the ten women in the villages of Koppal district whose lives and livelihoods I studied, and to those in the States of Bihar, Bastar and Orissa who, despite their poverty, shared with me the wealth of information that I sought. They revealed the details of their poverty, their troubles and concerns, their coping strategies, their ways and preferences about using money and their experiences of groups and NGO delivered credit. Studying the lives of poor women, especially the devadasis who are dedicated to the deity, and make sexual alliances with men for economic reasons, has been a depressing journey. Even women who were better off had problems; one lost her son, one her husband, while another faced domestic violence. These women opened up their own and their family's lives so that others could learn. Theirs is a debt I can never repay.

I owe a deep debt of gratitude to my supervisor, Dr. Pat Richardson, who encouraged me to start a research journey I wanted to take after several years of working in the field, and continued to support me through the years. I have great respect for her commitment to creating participation and voice, and making the world a fairer place, and this common value base was as precious as her technical guidance, as it is values that guide us through arduous journeys. The doctoral research has been an intense and deep experience for me, and there have been moments when I would have perhaps given up had it not been for her strong backing, and understanding of what I was going through. I am grateful to Pat for continuing to informally supervise my thesis even after resigning from the University. I am glad to retain a friend even after she has been my thesis supervisor!

The most difficult supervision task fell however, on Dr. John Ritchie, who had to guide me during the last one and a half years, through a phase of difficult revision and refinement of this work. He not only kept me convinced that I could retain the value of my research, but also enhanced it by helping me put it in the current moving context of development dynamics, especially regarding microfinance. Without him, I could have never completed the thesis.

I also had the unstinting support of Prof. Dr. Urs Wiesmann, who not only provided conceptual support as I worked on livelihoods, but also supported me through the travails of conducting research on an economic-financial topic with a holistic, actor-oriented, livelihoods perspective.

The Centre for Development and Environment (CDE) Institute of Geography, University of Berne, provided financial support for the fieldwork through its research programme, Social Learning for Sustainability (SOLES-1). CDE also provided me a long sabbatical in Berne from November 2003 to June 2004 so that I could focus on the research and complete the writing of the thesis. This support was provided through a large international and multi-disciplinary research programme, namely the National Centre for Competence in Research (North-South), of which CDE is the lead manager. Dr. Hans Hurni, the Director of the programme, had confidence in the value of my research. The research programmes were funded by the Swiss National Science Foundation (SNF) and the Swiss Agency for Development and Cooperation (SDC), who I would like to thank for the financial support to my research, and for some of the ensuing needs for development support in the research villages.

I also wish to thank Dr. Stephan Rist, for his valuable guidance and suggestions in doing case studies and narrative analysis. He and other colleagues at CDE and NCCR north-south who provided me with inputs and feedback on the thesis included Drs. Daniel Masselli, Peter Messerli, Eva Ludi, Isabelle Milbert, Ulrike Müller, Christine Müller, and Anne Zimmerman. Some of the many people who provided a home away from home for me and my daughter were Bettina Wolfgramm, Marie Jeanne Weyrich, Sabine Högger, Claudia Wiesmann, Erica Messerli, Emmanuel Morgenthaler, Jacqueline Schmid, Chinwe Ifejika-Speranza, Karl and Nanny Herweg, Mr. Andreas Klaey and others; I cannot name all of them but would like to thank them for their support .

Several friends have provided feedback and encouragement during a research project that was in some ways, against the current. I owe gratitude to all of them, especially to Drs. Marie Johnson, my first reviewer, Sue Miller, Alison Linstead, Janet Townsend, Fergus Lyon, Leigh Sears, and Juliana Siwale of the University of Durham. Those who provided feedback from other Universities include Drs. Ruedi

Högger, Ruedi Baumgartner, Janet Seeley, Elisabeth Wilson, Uschi-Kraus Harper, Malcolm Harper, Susan Johnson, Ben Rogaly, and Mieke Leermakers. I am grateful to Andrea Bailey, Anne Bailey and Katherynne Taylor for the administrative support that is so important to a student situated miles away from her university.

The data collection with women was important, but equally important was the information about the local context and experiences of women's groups that were not part of the study. The Sampark team was open and flexible in providing all the information that the organisation had about the groups and their financial and non-financial operations. Access to the data of Sampark's Koppal office was facilitated by Jeyaseelan, the office manager, and his team. I am thankful to each one of them for their assistance during this research.

Those who helped with the field research were Jeyaseelan, Nirmala, Rajshekhar, Akkamma, Iramma and Uma. I benefited from their willingness to meet individual women regularly, visit their homes at times when it was convenient for the women, and to keep up a long and close relationship with the women even after the major data collection phase was over. Without their commitment and sincerity to the process of longitudinal research, this thesis would not have much value.

Prameela, Chidambarnathan and Roshni Menon helped me with the literature survey and, given their experience with grassroots groups and enterprise support, acted as the sounding board for the analysis and interpretations. Their feedback and support throughout the thesis was invaluable.

The first phase of my study and the data from the States of Bihar, Madhya Pradesh, Orissa, and other States was supported by Friends of Women's World Banking, CARE India and United Nations Office of Project Services/IFAD. These organisations permitted me to collect data relevant to my research during my visits on their assignments, and use it for the thesis. The senior managers of these organisations provided feedback on the overview, analysis, and challenges faced by the microfinance sector and also on the papers that I sent them from time to time. They provided me with all the grey data I needed for the research. The staff of NGOs/MFIs shared valuable insights on their experiences, dilemmas and inner conflicts in the implementation of microfinance programmes. I am grateful to all of them for being so open as the thesis has benefited greatly from their rich insights.

Raju and Meenakshi organised all the photo-copies and print-outs, and helped me organise my papers over the past few years. Banu painstakingly typed the large texts from borrowed books that I wanted to retain in soft copy. The translation of data and interviews from Kannada to English was done over three years by Banu, Saumya and Deepa.

The information collected always had a Kannada flavour and it was sometimes difficult to formulate grammatically correct sentences in English without losing some of the essence of what women had said or meant. The translations and editing corrections continued to be a major undertaking throughout the research. Ratan Gopinath, Jason Klinck, Saumya Premchander and Karuna Sivasailam have helped immensely in this task; without them the thesis would perhaps not be coherent in English. I would like to thank Kimberly D. Byers for the careful proof reading.

It is a great privilege to be able to contribute professionally to improve lives of other people, especially since their livelihoods are vulnerable, and they do not even have food security. Over the past several years I have been simultaneously engaged in both research and development work. It has been a long and lonely period of time, which changed the 'normal' family way of life. I could do this only because I had full support from my family - my husband and children, parents-in-law, parents, sister and her family - who gave up all their expectations of social contact until the venture was fully completed. Without the emotional encouragement and support of all of them, this journey would have been very arduous.

List of Abbreviations

ADB	Asian Development Bank
ANM	Auxiliary Nurse and Midwife
AOP	Actor Oriented Perspectives
AP	Andhra Pradesh
APMAS	Andhra Pradesh Mahila Abhivruddhi Society
BAIF	Bharatiya Agro Industries Foundation
BDS	Business Development Services
BPL	Below the Poverty Line
BRAC	Bangladesh Rural Advancement Committee
BRCS	Bay Research and Consultancy Services
CARE	Cooperative for Assistance and Relief Everywhere
CETZAM	The Christian Enterprise Trust Zambia
CGAP	Consultative Group for Assisting the Poor
CYSD	Center for Youth and Social Development
DANIDA	Danish International Development Assistance
DFID	Department for International Development
DLCC	District Level Coordination Committee
DWCRA	Development of Women & Children in Rural Areas.
EDPs	Entrepreneurship Development Programmes
FAO	Food & Agriculture Organisation of the United Nations
FWWB	Friends of Women's World Banking

Glossary

GOI	Government of India
GOK	Government of Karnataka
GTZ	German Development Cooperation/ German Technical Cooperation
HCR	Head Count Ratio
HDFC	Housing Development Finance Corporation
HIV/AIDS	Human Immunodeficiency Virus /Acquired Immune Deficiency Syndrome
IFAD	International Fund for Agricultural Development
IGA	Income Generating Activity
IRDP	Integrated Rural Development Programme
IREDS	Institute for Rural Development and Education Society
KSWDC	Karnataka State Women's Development Corporation
LFAs	Less Favoured Areas
MACS	Mutually Aided Cooperative Society
MASY	Mahila Arthik Samavrudhi Yojane
MF	Microfinance
MFI	Micro Finance Institution
MYRADA	Mysore Resettlement and Development Agency
NABARD	National Bank for Agriculture and Rural Development
NBFC	Non Banking Financial Company
NGO	Non Government Organisation
NIMHANS	National Institute of Mental Health and Neuro Sciences
NRMPA	Natural Resources Management Programme Andhra Pradesh
NSAP	National Social Assistance Programme
OBCs	Other Backward Castes
ODA	Overseas Development Administration
PGI	Poverty Gap Index
PRA	Participatory Rural Appraisal
PRADAN	Professional Assistance for Development Action
PSI	Pastoral Service Institute
RBI	Reserve Bank of India
RLS	Rural Livelihood Systems
RMP	Registered Medical Practitioner

RRB	Regional Rural Bank
Rs.	Indian Rupees
SAA	Service Area Approach
SAPAP	South Asia Poverty Alleviation Programme
SBH	State Bank of Hyderabad
SBI	State Bank of India
SC	Scheduled Caste
SDC	Swiss Agency for Development and Cooperation
SDMC	School Development and Management Committee
SEWA	Self-Employed Women's Association
SFMC	SIDBI Foundation for Micro Finance
SGSY	Swarna Jayanthi Gram Swarozgar Yojane
SHG	Self Help Group
SIDBI	Small Industries Development Bank of India
SITRA	Supply of Improved Toolkits to Rural Artisans
SLF	Sustainable Livelihoods Framework
SNRM	Sustainable Natural Resources Management
ST	Scheduled Tribes
TB	Tuberculosis
TBF	The Bridge Foundation
TGB	Tungabhadra Grameen Bank
TN	Tamil Nadu
TRYSEM	Training of Rural Youth for Self Employment
TV	Television
UK	United Kingdom
UNDP	United Nations Development Programme
UNOPS	United Nations Office for Project Services
USAID	United States Agency for International Development
ZP	Zilla Parishad

Allige alli, poojege pooje	the amount the farmers give meets only the expenses on food and clothes while on migration: meaning that they return empty handed with no savings
Amavase	new moon night
Amrith Amavase	new moon night in February
Avaralli Hechu Rokka ithi	he has lot of money
Baddi	interest on loan
Badigar	carpenter
Basava Jayanthi	a festival in May
Basavi	the local term for *devadasi,* meaning a woman with no restriction for having sexual relations
Baksa	box money
Beedi	local cigarette
Bhagya Jyothi	a government scheme, for free electricity to the poor families
Block/Taluk	a group of 40-80 villages, which form an administration unit of 6-8 *panchayats.*
Bund	soil and water conservation structures, usually two to three feet high walls built of stone and soil
Coolie	casual human labour
Dai	local nurse and midwife
Dalal	broker
Dalit Seva Sangha	a society with membership of dalits
Dalit	people belonging to lower caste
Dasar	hindu sub caste
Deepawali	festival of lights
Devadasi	women who have been dedicated to the local deity and are not allowed to marry, but can have sexual alliances with men
Deerga Avadhi Sala	long term loan

Duddu, Rokka, Hana	money
Finance Sala	short-term loan
Galeamma	hindu goddess
Ganga Kalyana Yojane	a government scheme
Gouda, Gowda	landlord/ head of a village
Gram Panchayat	a group of 6-10 villages forming an administrative unit and having elected local representatives at village level
Hamali	porter
Hamali Sangha	porter's union
Hani Hani Koodidare Halla, Thene Thene Koodidare Rashi	small drops of water make a mighty ocean
Hareavayi	pain
Hechu Rokka Beku	need lot of money
Hingari	late monsoon
Holige	sweet made with flour and jaggery
Janatha Mane	house constructed as a part of government-subsidised scheme for people living below the poverty line
Jangamaru	hindu sub caste (grazing cattle and trading milk is the main occupation of these people)
Jathre	Mela, fair
Jawar	food grain
Kaigada	a loan with no interest on it; can be repaid whenever there is money in hand
Kankana	thread tied during marriage around the bride/groom's forehead
Karthik Amavase	new moon night in December
Kasuti	hand embroidery
Keri	street

Kuruba	Hindu sub caste (general caste of shepherds, rearing sheep and goats)
Lingayat	general caste
Luncha	commission
Madar	hindu sub caste (SC)
Madhyama Avadhi Sala	medium term loan
Mahanavami	festival
Mandala	universe
Mannethina Amavase	new moon night in July
Manthras	charms
Maratha	hindu sub caste (OBC)
Mungada	cash advance without interest
Mungari	early monsoon
Nagar Panchami	a festival to worship snake god
Nammaduddu	our money
Nanage Ondu Savira Rupai Sala Kodi	give me a loan of Rs.1000/- ($ 22.22)
Nanna Maga Nanage Hola Iddahange	my son is my biggest property, like land
Oddaru	stone-cutter
Oni	street
Paddathis	practices
Panchayat	a group of 6-10 villages forming an administrative unit and having elected local representatives
Pinjar	sub caste of muslim
Puja	worship
Pujari	priest
Rashi	wealth

Rathikuli	family granary
Reddy	Hindu sub caste (general caste)
Rotti	a bread, made with jowar flour
Rupai	rupee
Sajje	millets
Sala	loan
Sampathu	wealth, asset
SC keri	street of the SCs
Shavkar	landlord in a village
Stree Shakti	women's empowerment project funded by central government
Sulagi	a local derogatory term, meaning prostitute
Taluk Panchayat	a group of 6-10 Panchayats forming an administrative unit and having elected the representatives at Taluk level
Talwar	hindu sub caste (ST)
Ugadi	new year celebrated by hindu people
Undi	a sweet, prepared with Jaggery, groundnut, oil and rice
Vathi	mortgage
Vathi Sala	loans given against security of land, jewels etc.
Vijayadashmi	a hindu festival, in which people worship goddess Durga
Vyapara	business
Yellu Amavase	new moon night in January

Chapter 1

Overview of the Research

The proliferation of microfinance worldwide has been credited with impacts on poverty reduction and women's empowerment, as well as enabling establishment of sustainable microfinance organisations (CGAP, 2002). At the same time, microfinance has faced criticism regarding its deployment of poor women's entrepreneurship as their 'instrumentalisation' to meet the ends of neoliberal capital expansion (Fernando, 2006; Rankin, 2006). Set against these contradictory perspectives, the Indian microfinance scenario, with its widely varying models of microfinance delivery, does not lend itself to simplistic impact analysis. Microfinance literature considers its impact to be neutral to the process of delivery and therefore contains few cross-model comparisons, with most studies confining themselves to the specific model they examine, often that funded by specific donors.

This research questions the dominant institutional views and studies women's own perspectives regarding the use of money. It concentrates on a semi-arid livelihoods context, and explores the meaning of money through longitudinal case studies with ten women participants. It explores how social relationships determine and influence financial relationships. As microfinance is delivered through informal self help groups (SHGs) of women, the thesis studies group dynamics, money management and social learning processes in the SHGs. In exploring how women use money, and how they differentiate money delivered in different ways, this research reveals multiple meanings of money from the women's perspectives, and highlights models of money management that they consider the most empowering.

This Chapter presents an overview of the key research issues. Section 1.1 explains the questions, rationale and justification of the research, in relation to women and their groups. Section 1.2 explains the key terms used in the thesis, and Section 1.3 outlines the process of development of the research, from institutional to actor perspectives. Section 1.4 elaborates the conceptual underpinnings of the meanings of money. Section 1.5 outlines the structure of the thesis and provides a synopsis.

1.1 Overview of the Research

1.1.1 Research Context

India accounts for 15% of the global population and 27% of its 1.3 billion absolute poor (Satyamurti and Haokip, 2002) with up to 360 million in absolute poverty (DFID, 2004). Microfinance is increasingly being seen as an effective means of poverty alleviation, and is combined with various official schemes (NABARD, 1999). Compared to Bangladesh, Indian microfinance has however taken a different trajectory, partly due to its early efforts in development banking, banking infrastructure and legal framework, and strong NGOs able to experiment with different models. There are thus different models of microfinance delivery based upon several approaches; grassroots diversity defies a standard delivery model and frame for analysing microfinance impact.

In this research, any coherent policy model of microfinance, which mostly privileges positive impacts, was challenged by evidence emerging from the field, which highlighted divergent stakeholder perspectives. An in-depth exploration of these differing perspectives calls for a better understanding of the differential meanings of money and an appreciation of how these multiple meanings develop.

1.1.2 Research Question

This thesis attempts to **understand what money means to poor women living in backward areas by studying the livelihoods context in which such women live, and by exploring how they actually use money, and how their groups manage both money and their internal group dynamics.** It incorporates the diversity and differences in women's perspectives and actions, as well as those of the intervening agencies. This research takes a women-centred approach, where poor rural women are the key actors in demanding and bringing about livelihoods changes, and in assigning meanings to the different monies they choose to access or reject.

Previously, large rural development grants were observably routed through male-dominated forums, e.g. watershed development programmes (Seeley, 2002; Girija, 2004; Palanna, 2004), while credit was routed through women on the understanding that they were good repayers (Harper, 1998; Kalpana, 2005; Rankin, 2006). This highlighted a deep-rooted bias of donor and other support agencies, which held women responsible for results, whether this was related to population control, environment protection, income generating activities or microfinance (Lingam, 2006), while men determined programme implementation, in relation to expenditure and repayment (ODA, 1996).

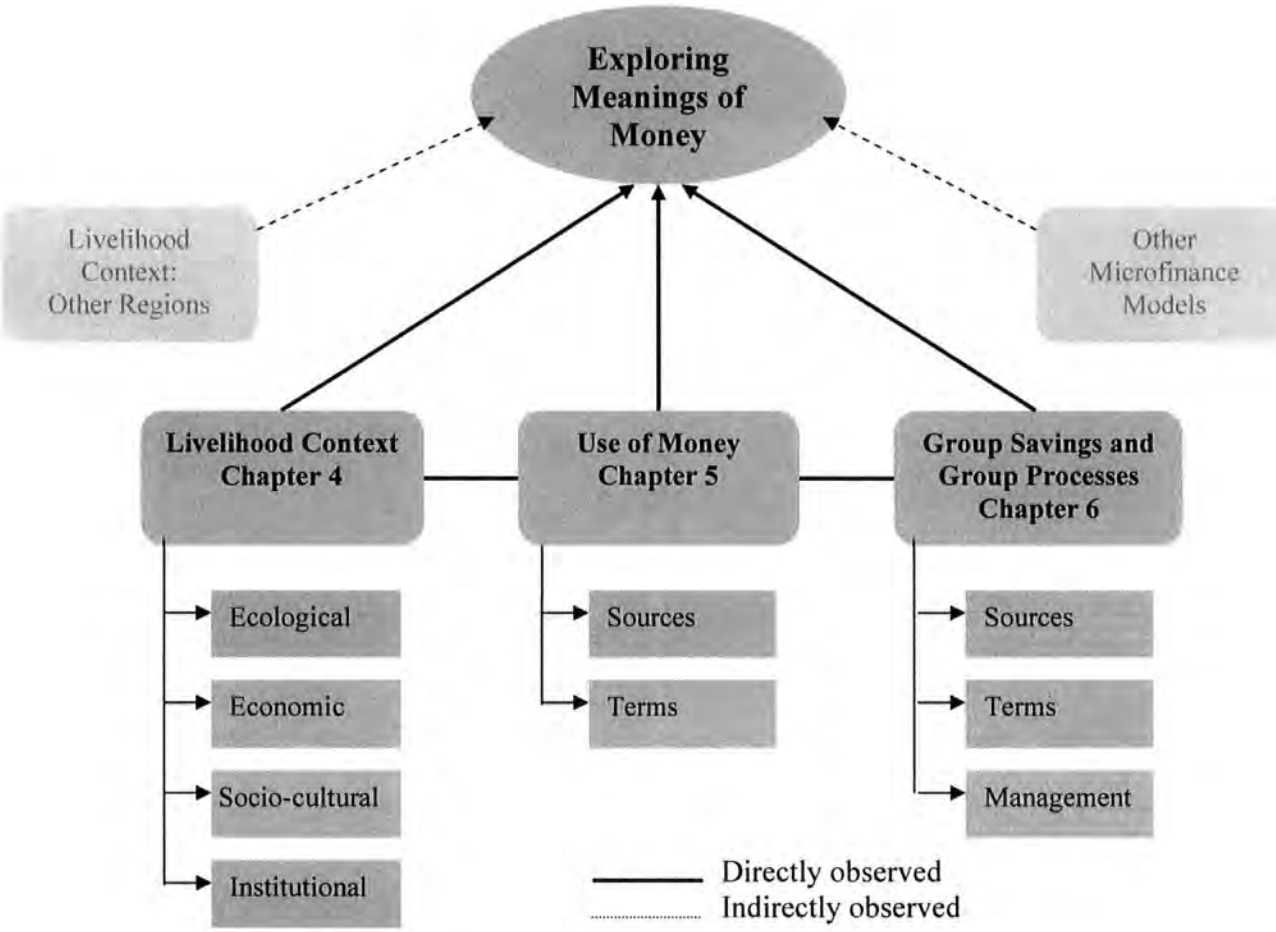
Formal policy pronouncements paradoxically did not recognise the gender bias inherent in demanding accountability from women in an arena where they have little or no control – finance and poverty reduction – and responsibility for impacts which had hitherto proved elusive in mainstream government programmes targeted towards poor households.

It was difficult to discern the real impact of microfinance on poverty reduction. The first phase of this research included an analysis of the historical development of poverty alleviation programmes and microfinance in India, and issues related to policy as well as practice. Extensive field visits during the first two years of research showed deep divergences between expectations of external agencies and how they expected the money to be received and used, and the perspectives of the women users themselves. Evidence contradicted the dominant assumption that there is vast unmet demand for credit which takes little consideration of the cost (Mahajan et al, 1998; Harper, 1998a).

Clients were situated in vastly varying livelihoods contexts, with geographical, ecological, economic, socio-cultural and institutional specificities that influenced how money was used. However, these contextual factors are not always addressed in orthodox impact studies, which sequentially track the use of money from suppliers to women, into micro enterprises and the resulting benefits. In following this 'impact chain', studies find it difficult to determine the benefits due to fungibility of cash, and to attribute impact to certain specific interventions alone. Another factor is that poor women first access microfinance through groups, which are used as mechanisms for delivery, but the gender dynamics inherent in such use are not always understood (Johnson, 2003), and women's work could be 'instrumentalised' through their participation in SHGs (Rankin, 2006). An understanding of how these groups both use and manage money (their own savings as well as external) is necessary to appreciate social relations and learning about the use and management of money.

Microfinance impact studies are concerned with the outputs of such programmes. By contrast, this study explores how women themselves, especially some of India's poorest and most marginalised women, e.g. the *devadasis,* regard microfinance and their perspectives as clients (and their self help groups) are likewise analysed. Given the multiplicity of models and the spread of microfinance in several parts of India, one particular livelihoods context was specially selected for the in-depth research at the grassroots level, covering all the microfinance delivery models in that location. This exploration was done through research questions at three levels, depicted in Figure 1-1, which together help to understand the multiple meanings women assign to money.

Figure 1-1: Research Question



The use and impact of microfinance, and the differentiated meanings of money are influenced by three factors: the livelihoods context in which women live, how women use money and the processes by which groups managed money. Thus, the three critical issues were:

1. ***How does the livelihoods context of women influence their actual use of money and what is the impact of microfinance?*** The livelihoods context comprises of ecological, economic, socio-cultural and institutional elements. Women's own livelihoods were observed with respect to their assets, incomes and life histories.

2. ***When do women access money and <u>how</u> do they use it?*** Women's perspectives of the different sources from which they access money, the terms on which they take it, the purpose for which they use it, and their reasons for repaying or defaulting were observed.

3. ***What is the impact of the social learning processes as a result of externally introduced SHGs on the one hand and the internal pre-existing social setting, on the other?*** As women's SHGs are the forums for microfinance delivery, how groups sought and used money was observed. This included how social learning takes place and how impacts were generated through group processes.

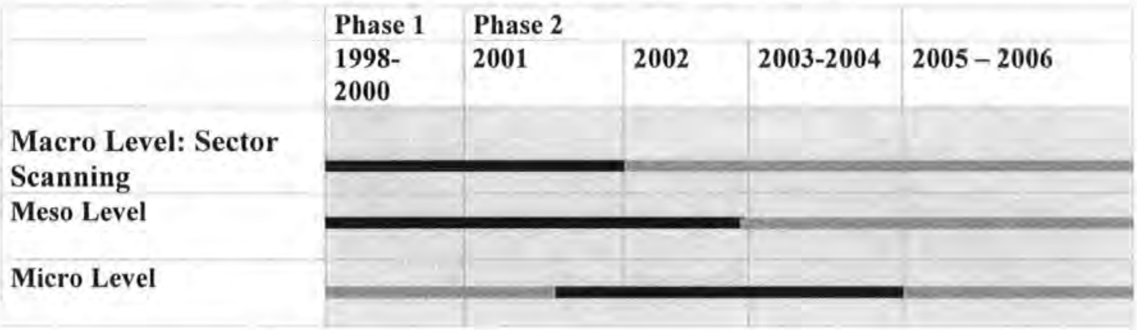
1.1.3 Research Strategy

Since the research strategy involved understanding actors' perspectives and meanings, it draws upon the disciplines of sociology/anthropology as well as development studies. The research sought to understand how women use different resources, through in-depth and longitudinal analysis, which demanded working with them in a participatory way over two years. Primary data was obtained in two phases. In Phase 1, between 1998 and 2000, macro level sector scanning was undertaken to provide an overview of the micro-enterprise and microfinance sector. Visits to 25 NGOs spread over nine states and discussions in workshops with donors and 25 NGOs, provided a meso level understanding of institutional issues (see Appendix 1).

The grassroots work in the second phase involved a two-year longitudinal study of women (2001-2003), and maintaining contact with the women for validation purposes, for a further one-year period. The research explored narratives of women's lives and followed financial and non-financial aspects of their livelihoods. As external microfinance was introduced to women through SHGs, the mechanism and processes generated were important for understanding the impact of this intervention.

The research process was not linear, but connected the three issues, at the macro level (microfinance at country level), meso level (issues for NGOs implementing microfinance projects and programmes) and micro level (understanding individual women's perspectives through livelihoods analysis and understanding perspectives of groups), which were explored right through the period 1998 to 2003. The Figure 1-2 below shows the focus of attention in each phase at each level.

Figure 1-2: Three Levels of Work in Two Phases



The secondary sources included publications and documents relating to banking, microfinance, and development partnerships from banks, government, NGOs and donors. Information about Koppal district and villages was collected from secondary sources, and supplemented with group discussions and social mapping exercises with the villagers.

1.2 Key Terms

The research addresses four broad monetary concepts that can be defined and interpreted in different ways: poverty, microfinance, SHGs and livelihoods. It is important, therefore, to discuss how these terms are used and defined.

1.2.1 Poverty

An understanding of poverty is central to the thesis, because poverty alleviation is the most important goal of development interventions. The first formal and widely accepted definitions of poverty in India relate to the daily calorie intake recommended for people in rural or urban areas, i.e. 2,400 and 2,100 calories respectively (Planning Commission, 2001). The money that was required to buy a basket of food and non-food goods that would enable this level of caloric consumption was considered the money 'poverty line,' below which people would not be able to obtain minimum sustenance. This money poverty line was first estimated at 1973 prices (Özler, Datt and Ravallion, 1996) and the poverty line in 1999-2000 was set at Rs. 327 ($7.26) per month for rural and Rs. 454 ($10.08) for urban areas (Saxena, 2001).

The limitations of the income concept of poverty (Head Count Ratio) and it's 'materialist bias' have been well recognised (UNDP, 1996; Douglas and Ney, 1998). Social indicators of development, e.g. life expectancy at birth and infant mortality rates, indicate poor performance, with India being classified low on the Human Development Index by UNDP. Gender dimensions included education and employment of women, and development of the Gender Development Index (McGuire et al, 1998).

Several measures addressed the distribution of income, and relative deprivaton and suffering. The Poverty Gap Index (PGI) measures the distance of the poor from the poverty line, but may not provide any more information than the traditional Head Count Ratio (HCR) (Datt and Ravallion, 1998; Meghani, 2003). Other measures include Capability Poverty Measure (UNDP, 1996), Human Deprivation Measure (Haq, 1997), Human Poverty Index (UNDP, 1997) and Capability Failure Ratio (Majumdar and Subramaniam, 2004). These measures give importance to infant mortality rates, health of children under five years of age, and adult literacy as additional indicators depicting well being, and bring in distributional aspects by analysing rural/urban, gender, and caste grouping, but are all constrained by a lack of data.

Researchers have refined measurements of poverty through use of several alternative measures, e.g. percentage share of food in the household income, and adjustments for household size and composition (Meenakshi et al, 2000). Using sophisticated poverty measures on offical poverty line data, have revealed that poverty rates are higher (35 to 40%) among Scheduled Castes (SC) and Scheduled Tribes (ST) households, while female-headed households are relatively more impoverished than the average poor household (Meenakshi et al, 2000). Landholding is an important determinant of poverty (Appu, 1996; Meghani, 2003) and gender aspects, which go beyond income and basic needs to capabilities approaches are also important (Sen, 1999; Lingam, 2006).

Poverty can also be understood with reference to vulnerability to fluctuations in income. These fluctuations may be predictable (e.g. seasonal) or unpredictable, if they result from unexpected shocks (Montgomery, 1996). Johnson and Rogaly (1997) outline three parameters for defining poverty: lack of income, vulnerability to income fluctuations, and powerlessness. Vulnerability can be heightened by the lack of assets or by indebtedness. Interventions that reduce vulnerability and protect livelihoods are also seen as reducing poverty. Financial relationships, e.g. those of debt, are one way in which the powerlessness of poor people becomes entrenched. Vulnerability is different from poverty. While the latter reflects lack or want, the former emphasises the exposure to risk, shocks and stress, and the defencelessness in dealing with them, leading to insecurity (Chambers, 1989). Drought is a collective shock experienced regularly, and is a chronic condition in semi-arid regions. Thus groups in north Karnataka are more vulnerable to collapse. Vulnerability is seen in terms of three basic coordinates: risk of exposure, coping with inadequate capacities, and the severe consequences arising from crises, stresses and shocks (Watts and Bohle, 1993). Moser (1998) further emphasises that aspects of insecurity and resilience are interrelated, thus indicating the importance of inputs like microfinance, which have the potential of creating resilience and therefore of reducing the vulnerability of the rural poor.

The multi-dimensional nature of poverty is now better recognised. The poor experience not only a lack of food, or material well-being but also the psychological effects of lack of education, poor health and illnesses. These include powerlessness, voicelessness, dependency, shame and humiliation. This results in severe vulnerability, which may also be gender related (Narayan et al, 2000). In India poor women are disadvantaged in the type of work they do (low status) and also experience social marginalisation throughout their lives (Jain, 2002; George et al, 2005). Douglas and Ney (1998: 5) emphasise three ideas, "one is lack, the second is an asymmetry of possession and the third is the person who is in poverty" in highlighting the actual experience of poverty itself.

This research therefore sees poverty as geographically, socially, culturally and institutionally 'embedded' and analyses the livelihoods context to understand the use and meaning of microfinance. It does not adopt any one single definition of poverty, e.g. income poverty. The finding that socio-cultural placement, i.e. caste, is strongly related to the economic positioning in defining poverty, is critical for those purposes. Further, certain women, namely the devadasis, who are deprived of basic human rights, experience social exclusion and extreme marginalisation. The intention is to understand the experiences of women who live in poverty, in its economic, spatial, social, cultural and gender dimensions. Vulnerability assumes importance, as it is both the cause and the effect of poverty. The research relates the concept of income poverty with other development dimensions and elaborates the experience women have, which is better explained in terms of multiple dimensions of 'vulnerability' that may prove more useful and relevant for development interventions.

1.2.2 Microfinance

Micro credit refers to providing very poor families with very small loans (micro credit), for productive income generating activities and expanding of their tiny businesses. Subsequently, a broader range of financial services have been provided to the poor, including credit, savings and insurance; known as microfinance (FAO, 2002; Satyamurti and Haokip, 2002).

In the Indian context, the NABARD[1] Task Force officially defined microfinance as:

> "Provision of thrift, credit and other financial services and products of very small amounts to the poor in rural, semi-urban or urban areas for enabling them to raise their income levels and improve living standards. The emphasis of support under microfinance is on the poor in 'pre-micro enterprise' stage for building up their capacities to handle more resources" (NABARD, 1999: 2).

No specific limit for how 'small' an amount of financial services is envisaged. However, an informal upper limit was put at Rs. 25,000, which is the equivalent of $568 at 2004 rates (Satyamurti and Haokip, 2002).

1. The National Bank of Agriculture and Rural Development is an apex institution providing development finance to banking sector and cooperatives with the objective of supporting agriculture and rural development.

Different terms are used to define the ways in which microfinance is offered. The term 'traditional' microfinance is used for subsidised credit (Johnson and Rogaly, 1997; Harper, 1998; Robinson, 2001), while microfinance offered on commercial terms is considered as 'sustainable'. These authors refer to subsidised finance as the old paradigm and commercial finance as the new paradigm[2] for providing microfinance services. Others refer to commercial microfinance as 'traditional' and see the needs of pro-poor microfinance as different (Dunford, 1998; Nissanke, 2002). The terms 'traditional', 'sustainable', 'old paradigm' and 'new paradigm' have normative orientations inherent in the vocabulary used.

This research does not distinguish between sustainable microfinance and subsidised microfinance, as these studies refer to 'sustainability' from the point of view of the financial institution. In keeping with the perspective of the recipients and users of funds, it uses the terms on which the credit is offered to select the adjective, of which there are three: subsidised, unsubsidised and commercial. Subsidised microcredit is that which carries a subsidy on principal repayment, meaning that the clients pay back 50% of the principal, and do not need to pay back the rest. Unsubsidised micro credit is that which requires the full principal amount to be paid back with the interest rate being 12 -18%, the repayment period being 1-3 years, and the instalments at monthly or quarterly intervals. Commercial microcredit is the practice of providing loans with a one-year repayment period and regular repayment instalments, per week or per month. The interest on commercial microfinance ranges from 18- 24% per year, or even higher (Table 1-1).

Table 1-1: Terms and Conditions for Different Types of Loans

	Subsidised	**Unsubsidised**	**Commercial**
Principal to be repaid	Part, normally 50%	Full	Full
Repayment period	3 years	1-3 years	1 year
Instalments	Monthly and half yearly	Monthly	Weekly or monthly
Interest rates	12%	12 - 18%	18 - 24% sometimes higher

2. The interpretation of the term paradigm, and its application in research frameworks is discussed in chapter 3.

Women's preferences and use of money provided through these delivery models then reveals the meanings they attach to different 'monies'.

1.2.3 Self Help Groups

A Self Help Group (SHG) is defined as "a group of people having a common goal of socio-economic sustainable development, discussing their problems and resolving it through appropriate participatory decision making" (NABARD, 1998: 1). In the context of microfinance, an SHG is formed by a group of 15 to 20 people, (often women only) meeting once every week/fortnight/month. SHGs usually pledge to some informal rules, then open a bank account in the group's name, select two or three leaders and conduct savings and credit activities. They are characterised by homogeneity and affinity, commonality of interests, voluntarism and self-help, and participatory decision-making (NABARD, 1998; PRADAN, 1999; MYRADA, 2001). In most cases, the members pool funds to create a common fund, which may be used to access loans from this fund or from banks. In the latter case, the groups act as a collective guarantor for the loan (PRADAN, 1998).

This research is concerned with women-only groups, formed on a voluntary basis, but with the encouragement of an external agency (e.g. NGO, government, MFI), which are engaged primarily in savings and credit activities. It explores money management, group dynamics and learning processes in these groups and, in this context, discloses how the perspectives of external intervening agencies and women SHG members often diverge in practice.

1.2.4 Livelihoods

Poor women do not see finance in isolation, but as one of the resources they use in order to improve their livelihoods. Women may not regard economic development (or availing microfinance) as a goal, but see it as a limited means of improving their immediate livelihoods. Actors can have different worldviews and assign varying priorities to the different means of improving their livelihoods. Thus there was a need to go beyond economic, financial or organisational perspectives to understand actors' own perspectives on their livelihoods.

Earlier references to 'livelihoods' referred to how people made a living. Long and Long (1992) conceptualised the concept as one where both individuals and groups strive to make a living in order to meet their consumption and other needs. In doing so, they cope with many uncertainties, as well as respond to opportunities available, according to their value systems.

The most widely accepted definition encompasses this but introduces the concept of sustainability:

> "A livelihood comprises the capabilities, assets (stores, resources, claims and access) and activities required for a means of living: a livelihood is sustainable when it can cope with and recover from stresses and shocks, maintain or enhance its capabilities and assets, and provide sustainable livelihood opportunities for the next generation; and which contributes net benefits to other livelihoods at the local and global levels and in the short and long term." (Chambers and Conway, 1992: 7-8)

This research uses the above definitions, and also considers the values of actors in designing their respective livelihoods strategies.

1.3 From Institutional to Actor Perspectives

1.3.1 Development of Microfinance

The earlier welfare approach to subsidised microcredit was criticised on grounds of unsustainability and wrong targeting (Karmakar, 1999; Mahajan, 2005; Shylendra, 2006). The current approach which would deliver microfinance through development of social capital in the form of women's SHGs is credited with both poverty reduction and empowerment impacts (Rankin, 2006) and was thus the most preferred programme of government, donors and NGOs, in pursuit of financially viable microfinance institutions (MFIs) (Cohen and Gaile 1997; Dunford, 1998; Nissanke, 2002; UNOPS, 2002; Fernando, 2006a).

Subsequent studies reveal that while microfinance departs from more conventional development practices, its emphasis on individual entrepreneurship, which can detract from redistributive approaches to poverty reduction, makes it less of a departure from past practices, than a reconfiguration in line with power and governance relations of a neoliberal nature (Brigg, 2006; Fernando, 2006a). This critique alleges that even rights-based thinking, as elaborated in the concept of 'entitlement' (Sen, 1999), has allowed neoliberal leaning institutions to seek microcredit-led empowerment in ways that contradict its stated goals by marginalising any consideration of class relations and other social mobilisation for the reduction of economic and social inequalities (Fernando, 2006a).

The focus on the benign qualities of social capital and on the poor's own entrepreneurship has arguably allowed the state to further minimize its role and responsibilities for poverty reduction (Weber, 2006). Thus microcredit accommodates the language of multiple interest groups (feminists, human rights activists), through its claims to simultaneously address both economic and social inequalities. This can be exposed in politically committed analyses of the processes through which impact is claimed to occur, and how the subjectivity of poor women is framed in the very projects that would address gender inequalities (Fernando, 2006a).

Microfinance is an increasingly integral part of development projects and only recently has its positioning as a major poverty reduction and empowerment tool, especially for women, been challenged by those who see it as an instrument to advance competing capitalist ends. This begs the question as to where Indian microfinance sector could be positioned, which requires an overview of the Indian microfinance models.

1.3.2 Leading Indian Microfinance Models

Rural credit has been prioritised in India since pre-independence, and promoted in the cooperative sector, later followed by formal banking. Banks have been required to extend credit to 'priority' sectors since the 1960s, with full fledged 'development banking' emerging in the 1970s. Official efforts at poverty reduction prioritised the poor with 'schemes' that aimed to increase their skills and assets through 'subsidised' credit which was only partly repaid, the rest being grant.

Internationally, the 'traditional' (classical) model is considered to be one of 'credit provision' by formal institutions. In India, the banking sector has long targeted the poor, and 'subsidised' credit was the first model. Recent research has found the 'banking sector outreach' of this model to be very low (Beck et al, 2005). By contrast, a 'new' model of 'commercial' credit has been provided to the poor at a high cost judged necessary for financially viable MFIs to flourish and proliferate. Though the model seeks to meet a perceived gap, (i.e. in supply of credit), it most suits the 'economically active poor' who can pay the costs, and thus bypasses the very poor. Indeed, the latter may opt not to use such credit, and thereby exclude themselves instead (Hulme and Mosley, 1996). The commercial model approaches the 'economically active poor' via 'savings and credit groups' or 'self help groups'. Thus where the poor assure the MFI of repayments, they also ensure the viability of the latter. It is between these two extremes that the Indian model of SHG-bank linkage has evolved. It provides 'unsubsidised' credit from the Indian banking sector to women's SHGs, at a relatively low cost, usually at 11-12% per annum. The formal financial institutions (Regional Rural Banks in particular) thus treat poor women's groups as 'clients' rather than as 'recipients' of money. It thus goes beyond the subsidised/welfare approach of the 'subsidised credit' model and the 'neoliberal' approach of the 'commercial' model to one where poor women, by coming together as 'informal' SHGs, can hope to form new relationships with formal financial institutions.

Microfinance supply through the three models is depicted in the following diagram:

Figure 1-3: Spectrum of Credit Supply

Subsidised ⟷ Non-subsidised credit, bank rates ⟷ Commercial microfinance

This research classifies and refers to these three microfinance models, which are subdivided into many models of delivery involving partnerships between government, banks, NGOs and donors, as described later.

The proliferation of Indian microfinance has meant that measures of Indian microfinance have varied, depending upon the objective of the model and the agencies promoting it. A review of microfinance impact literature should reveal whether external expectations and/or critiques are applicable to Indian microfinance.

1.3.3 Microfinance Impact Literature

A review of impact assessments of microfinance, internationally and in India, reveals issues of both approach and methodology. Two basic approaches have dominated the study of impact: the financial systems approach and the impact assessment approach, also referred to as the institutional and welfarist approaches respectively. The first assumes that if the microfinance delivery institutions are sustainable, then impact must be positive, making further assessment unnecessary. Conversely, the welfarist approach questions the assumption of a direct and positive link between organisational sustainability and poverty impact, and recognises tensions between the two factors, thereby necessitating further study of poverty impact.

Studies have emphasised the 'proving' motive for conducting impact evaluation, wherein the primary concern is to convince donors about efficient and effective use of funds. This is contrasted with the 'improving' motive, whereby the conduct of impact studies is aimed at enhancing learning, so that programme delivery may be improved to achieve better impact. Thus, literature has characteristically highlighted its most positive impacts, where contrary evidence would have questioned assumptions about self-reliance and drawn attention to other models of empowerment (e.g. social movements) that question dominant neoliberal economic and political ideologies (Rankin, 2006; Fernando, 2006b). The determination of success or failure is also influenced by interpretations of the complexity and confusion of practice which endorse prevailing policy, irrespective of other difficulties (Mosse, 2006).

Recent microfinance impact discourse has been therefore dominated by neoliberal thought, without recognising other issues emerging from practice. The normative nature of such research is questioned by feminist critiques that the claims of the neoliberal model regarding poverty reduction are not yet empirically proven (Lingam, 2006). This critique claims that the consolidation of neoliberal ideology has led to the marginalisation of radical socialist feminism in gender and development debates. The ideology only framed women as neglected resources, both as labour and as consumers. As another 'gender equality' agenda became necessary, especially to forge a compromise with feminists, its vocabulary was adopted when microfinance evolved. Microcredit was thought to provide a platform for different feminist ideologies to come together, and thus 'women's empowerment' became a periodic rallying point for feminists, governments, World Bank, commercial banks and NGOs (Kalpana, 2005; Weber, 2004). This critique of microfinance has further questioned the use of concepts such as empowerment, stakeholder participation and partnership to interpret problems and solutions in ways that serve sectional interests and need to be linked with larger debates on accountability and democracy (Bendell, 2005).

Given the primacy of donor initiatives, impact assessments tend to be top-down, using a methodology developed and approved in line with dominant donor interests (Dale, 1998). Methodological challenges include variability of approaches, issues and indicators, and a lack of comparability across different studies (Sebstad and Chen, 1996; Cheston and Reed, 1999; Cheston et al, 2001). Participatory methodologies have gained credibility, as if these might also empower (Rubin, 1995; Mayoux, 1997; Johnson and Rogaly, 1997; Edwards, 1998; Blankenberg, 1998; Akhtar, 2003). However, even where participatory approaches have been adopted, they can still conceal certain contradictions and also be used to promote donor-dominated perspectives. Mosse (2005) considers that these models are then presented and communicated in a way that secures development projects/ programmes/ strategies which confirm scenarios already projected by policy models beforehand.

Political economists have argued that the impetus for the dominant microcredit policy is strategically oriented to facilitate financial sector liberalisation and the "social disciplining of women is aimed at commanding compliance for neoliberal restructuring" (Weber, 2004: 356). Anthropologists find that globalisation has imbued capital with the properties of 'financial derivative' by which it carries an 'abstract risk' rather than one 'grounded' in production based labour, and thus allows it to be autonomous from real socio-economic structural relations (LiPuma and Lee, 2005). Such literature maintains that spontaneous diffusion of industrial development to backward economies is limited by the unwillingness of leading capitalist economies to allow outsiders any claim upon their wealth. This poses a formidable barrier to authentic development strategies being formulated under a neoliberal context (Patnaik, 2006).

At first, the notions of self-determinacy, autonomy and people's power appear as a counter ideal to neoliberalism, but this is challenged by Foucault (1991a; 1991b) in his conceptualisation of 'govermentality' and 'normalisation' wherein self-regulation, becomes another instrument of control as well.

Thus, impact studies address aspects of microfinance which may not necessarily concern the poor themselves. Such 'planned' knowledge is mostly donor-driven and economically evaluative, and often produced by a top-down, formally structured, pre-determined research process which draws connections between large-scale inputs into microfinance initiatives set against outputs resulting from those initiatives. The intervening work of microfinance-in-action is not always treated as an independent or relevant variable for evaluation purposes, yet it intermediates both inputs and outputs. In this way, 'planned knowledge' can leave questions of implementation and management unasked and unanswered, unless there is more knowledge of actual microfinance-in-action (Ritchie, 2006).

This study seeks to shift the present balance of knowledge about microfinance towards more knowledge of the <u>particular</u> development issues emerging right now, which could have further bearing upon how else microfinance might develop in the future. It highlights the need to identify other/additional variables, or else change the balance between them, in order to evolve existing knowledge. Emergent knowledge needs to capture these 'other' variables better, in a 'live' (and therefore still changing) situation, through well chosen/executed methods from which fresh 'findings' should result, which the actual actors concerned would confirm, using language they find meaningful for those in their life situation. This study will particularly emphasize the roles of local context, livelihood, and the gendered meaning and use of money as necessary variables for explaining actual microfinance-in-action, and the research would elicit the actors own definition of their situation, which may then redefine the questions for further research.

1.4 Exploring Meanings of Money

The discourse and meanings of development have changed over time, mirroring changing economic and social capacities, priorities and choices. These are ultimately related to the changing relations of power and hegemony (Pieterse, 2001). "Hegemony" implies a domination that derives its legitimacy from shared values and meanings (Friedman, 1992). Each development theory can be read as promoting or challenging hegemony, as a theory may not only explain, but also be used for agenda setting, mobilising and coalition building (Pieterse, 2001). The prevalent theories reflect currently available social science perspectives, thus highlighting the importance of culturally mediated meanings (Friedman, 1992; Pieterse, 2001).

Earlier in the 1990s, a leading paradigm in development studies and practice credited microfinance with poverty reduction and empowerment impacts. However, the financial systems thinking which was then applied across microfinance programmes emphasised modes of delivery that did not necessarily fit into the livelihoods contexts and preferences of the poor in remote and poor regions, although this divergence was not then widely acknowledged (Premchander, 2004). The issue of divergence between external perspectives (suppliers of microfinance) and local perspectives (users of microfinance) was important for framing further research questions. This meant being aware of 'multiple realities', meaning that various stakeholders may have diverse and incompatible worldviews (Long and Long, 1992). The research therefore accords importance to agency, i.e. the belief that actors have the capacity to effect social change (Pieterse, 2001).

The research approach emphasises gender and gender relations. It recognises that women-headed households may place an additional obligation on women which is at once physical, material and psychological. Women's agency, i.e. what they may or may not do, can be severely restricted by their gendered identity, and their formal entitlements, e.g. property rights (Agarwal, 1994). Women may have unequal access to information and limited control over their own bodies (Friedman, 1992). Gender roles are thus deeply embedded. Values, roles and capacities are all influenced by social and institutional structures (Jackson, 1996; 1998), and women and men can negotiate social and institutional structures 'in a different voice' (Gilligan, 1993; Wilber, 2000).

At first sight, interventions in matters of credit and enterprise need not call for raising consciousness. However, an attempt to include the marginalised stakeholders of development, i.e. poor women, into other economic and political spheres of their lives also implies empowering these actors. Friedman adopts a feminist agenda regarding empowerment, and this research acknowledges an empowerment agenda for the poor, and women in particular.

Post structuralist feminism would challenge the notion of "fixed meaning, unified subjectivity and centred theories of power" to allow for "previously marginalised narratives, and new interpretations, meanings and values" (Weedon, 1999: 4). It seeks to move away from analysing in 'categories' to representing the multiplicity and diversity of individuals (Linstead and Thomas, 2002). In keeping with these approaches, this research therefore explores microfinance impact from the perspectives of different women, through a deeper understanding of the meanings that money holds for them. Discourse analysis likewise treats development as a story, a narrative, and a text (Pieterse, 2001) and can be used to ground the theory of microfinance. It highlights major paradigm shifts in the available understanding of microfinance. Deconstructing existing paradigms has both advantages and disadvantages, as indicated thus:

> "While a paradigm shift implies a revolution in relation to past work it means routinisation in relation to future work. It would fix a practice of 'normal' development. In view of the diversity and flux of the development field such routinisation may precisely not be what is desirable. In other words, the urge towards paradigm renewal may itself be inappropriate" (Pieterse, 2001: 93).

This research challenges the dominant paradigm but does not propose another in its place. Instead, it recognises the multiplicity and complexities of different worldviews. The choices that development workers, NGOs, governments, donors, and indeed researchers make are derived from, and in turn influence, their own values and orientations.

1.4.1 Meanings of Money

It is argued that money is viewed differently by the disciplines of anthropology, economics, sociology, and organisational management. These differences evolve around what is considered money, the relation between economy and society, the different uses of money, and meanings assigned to it (Baker and Jimerson, 1992). Another review of money distinguishes and analyses individual, institutional and social factors which confer different meanings upon money (Stookey, 2003). In terms of what money is, anthropologists focus on primitive forms of monies in non-monetised economies. Economists, however, limit money to a medium of exchange, means of payment, a store of value, a unit of account and a standard for deferred payment (Dalton, 1967; Baker and Jimerson, 1992; Dos Anjos 1999; Gilbert, 2005). Other differences arise in relation to economy and society. Economists may conceptually separate economy and society and then treat economy as an independent autonomous sphere, whereby money supply can be used as a lever (Baker and Jimerson, 1992). Sociologists question this separation, treating the market as a social institution, and the economy as subordinate to society, as if economic action was inherently embedded within given social structures. Keister (2002) elaborates how classical sociologists (Marx, Simmel and Weber) considered financial markets, money and banking, but gave this less attention until Stinchcombe (1983) and

Granovetter (1985; 1995) revived this tradition, after which the study of money and financial markets has become more important.

Sociologists typically emphasise that money has a social meaning. It is a "medium of exchange that has value because members of a society agree that it has value" (Keister, 2002: 40) while for Giddens the trust invested in money accounts for its social circulation (Zelzer, 1994). Simmel (1907/1978) maintained that the historical development of replacing the barter system by money economies was due to the shift of community from personal to impersonal relationships. Marx not only conceived money as impersonal, but emphasised its role in creating and maintaining such alienation, while Weber (1922/1978) recognised the use of money as power. Weber considered individual behaviour to be social insofar as "its subjective meaning [took] account of the behavior of others" (Swedberg, 1998: 5). Swedberg amplified Weber's term 'social economics' and developed terms like 'Sozialoekonomik' (Social Economics) and 'Wirtschaftssoziologie' (Economic Sociology) which have different meanings within current 'network theory' research.

While Ingham (1996; 1998) traced the origins of this debate, network theorists such as Granovetter (1995) emphasized how economic relationships are embedded within a wider framework of social meanings and social relationships. Keister (2002) argued that in situations of high uncertainty, firms prefer to trade with known partners even at high costs, and that bankers rely on advice of those with whom prior ties of advice and support exist. Baker and Faulkner (2001) applied network theory to understand financial transactions. Considerable literature exists on how non-market relations underlie financial transactions, and how social relations of firms determine their economic character, and how the groups, in turn, shape firm performance and other outcomes (Keister, 2002; Biggart and Delbridge, 2004).

Baker and Jimerson (1992) therefore distinguish structural and cultural perspectives of money, wherein the former accords priority to patterns of roles and relationships, while the latter focuses on cognitive classifications and evocative meanings associated with money. The cultural perspective refers to the criticism of modern money by Coleman, Giddens, Simmel and others who claim that it 'depersonalises' transactions and 'disembeds' relationships and thus leads to 'objectified' social relation of production and further to oppression. By contrast, the structural perspective considers money to be a 'tracer' of social relationships and argues that "modern money and its uses are determined by the social structure of the market economy" (Ibid: 684).

In analysing the role and functions of money in society, other theorists have debated the meanings of money. In neo-classical economics, money has the quality of homogeneity, quantifiability and neutrality. Thus "Money just "is", what varies is individual attitudes about money.... The naturalisation of money empties it of meaning" (Stookey, 2003: 2).

The functionalist or the individual-difference perspective would define money by the function that it performs. In this perspective, the psychological treatment of money refers to money as income from employment, emotions about money, how meanings about money develop, and how money is related to self-concept and identity. Certain multi-attribute measures of money have been developed, e.g. the money-ethics scale, the money belief and behaviour scale, and the money importance scale (Mitchell and Mickell, 1999).

The institutional approach to money takes into account the possibility of a conflict between social and private goals. It indicates that interactive processes between individual practices and institutional restrictions create norms and habits, which in turn dictate the organisation and forms of diverse financial instruments, thus emphasising the role of cultural dimensions (Dos Anjos, 1999).

De Goede (2005) reveals how deeply - though not always recognisably - 'gendered' the concept of money originally was. Patriarchal society did not consider women 'full', let alone economic citizens for some considerable time: they were amongst the ranks of those who were originally formally excluded, or assigned to the informal finance sector alone. Only in that sector were they judged controllable and/or trustable in matters of (pin) money and credit for example. By assuming finance a neutral science, this original gender bias has effectively been ignored. The steadfast (manly) virtue of financial practice was historically contrasted to the wily (female) character of fortune and hence risk. "Credit, from the Latin *credere*, signifies belief, faith, and trust", while the narrative of 'the gentleman' was based on 'values of honour, integrity, courtesy and so on' (Ibid: 6). A Foucault led approach to 'the genealogy of finance' therefore suggests that 'initiation and education' (i.e. 'socialization') into the modes of financial rectitude was important from the start: finance was a form of 'power relation' in this sense, and that relation has been contested for some time. Early modern credit thus had a particularly 'violent history' which is 'inextricably bound up with the violent histories of European state formation, colonial conquest, and slave trading' (Ibid: 21). Credit was represented 'as an inconstant, often a self-willed but persuadable woman' (Ibid: 26) in the English classics, especially by Defoe, whose 'Lady Credit' 'displays a whole range of potentially unpleasant feminized characteristics'. 'Financial man' must master credit, and hence also 'woman', in this sense. 'Lady Credit requires first and foremost a mastering and submitting of the self' (Ibid: 35) in the manner of books and records 'of account' which can be duly scrutinized. However, 'the mastery of Lady Credit is never complete and financial man is never safe from her temptations and the internal desires and weaknesses she generates in him' (Ibid: 45) especially in times of crisis.

This could have some bearing upon the possible deep-rooted gender bias of microfinance models. The subsidised and commercial models both have problems with giving independent agency to poor women themselves, while only the emerging model of unsubsidised bank credit consider them as 'customers' in their own right, and even here such status is only bestowed upon them where they exhibit 'joint liability'. Empirical impacts studies are also criticised, not only for their methodologies, but also for their normative bias towards legitimising the neoliberal model, which obscures the divergences that appear between grassroots realities and prevailing policy.

Contemporary sociologists likewise seek to integrate the structural and cultural perspectives, by showing how, both at the micro (Zelizer, 1989) and the macro level (Baker, 1987), the distribution of power (within the family and among corporate actors) influences the use of money. Zelizer (1993, 1994, 1998) assigns multiple meanings to money, depending on the social context, and how it is used. She cites

Smelser in providing answers to the question of how new forms of money emerge, and specifically develops his concept of 'multiple monies' including 'charity monies', 'death monies', and how differences occur between those who give and receive charity. Zelizer (2000) later explores meanings of money in intimate relations, while Carruthers and Espeland (1998) also use micro level work to show that the meaning of money is defined both by its source and use. The multiplicity of meanings of money are also highlighted by Guerin (2006).

These multiple meanings again correlate to the social, cultural and structural embeddedness of the meaning of money, which is the perspective developed through this research.

1.4.2 Social Meaning of Money

Much remains to be learnt about salient features of money and its use, in terms of its cultural, political, and social context and content (Weenerlind, 2001). Pixley (1999) argued that although explanations of trust are well elaborated and linked to risk, they are taken for granted in finance organisations, as in Keynesian links of money with future uncertainty, which needs to be elaborated through a sociology of emotions, risk, confidence, fear, and trust thereby necessitating interdisciplinary studies of money. Gilbert (2005) points to a gap regarding how people use money, and what meanings money conveys when it circulates, and recommends "case studies to take into account of the social and cultural meanings in specific contexts and through distinct networks of social relations" (Ibid: 366).

This research therefore seeks to develop a better understanding of money in a given economic-ecological, socio-cultural and institutional context. It takes a social and structural perspective by viewing government, banks, NGOs and SHGs as actor groups who have separate values, interests and behaviour relating to money. It considers values and culture as influencing how SHGs, as financial organisations, manage money. It seeks to integrate structural and cultural perspectives by viewing money both as a cause and an effect. It examines the role and efficacy of money as a means of poverty alleviation, and emphasises that it is not just economic but social and structural aspects that define the use and meaning of money for any individual, household or group of people in a given context.

By using an actor-oriented approach, and treating the state, NGOs, banks and SHGs as actor groups, the research specifically endorses the sociological perspective of financial markets. It acknowledges each of these groups to be important actors in the market, along with donors and moneylenders. It brings out several factors of power and control over decisions relating to sanction, use and repayment of loans conducted on the basis of the social relationships formed between the money-provider (banks, government), mediator (NGOs) and user (SHGs) organisations. It sees not only the "stable exchange ties among buyers and sellers of financial resources" (Keister, 2002: 40), but also explores the breakdown of these relations. It shows that inappropriate social relations will not provide the foundation for stable finance, and therefore leads to a form of financial behaviour (non repayments of loans) that undermines relationships. The research discloses more about when, whether, and on what terms the money is borrowed, and also how it is spent. It also considers whether the money is returned, which is related to who is the source of money, and what is the relationship with that source. It develops the concept of multiple monies in the context of rural credit for the poor, and a combination of charity and credit (with subsidised credit), but goes one step further by going beyond the use of money to the relationship with the lenders, to differentiate between credit alone and a credit/charity combination. This supports both the phenomenon of 'earmarking' of funds and of 'inventing' currencies, and extends Zelizer's (1989) concepts by showing how people label different sources of money and relate differently to them. It also takes the perspectives of different actor groups (women, banks, NGOs, government) into account and therefore explains how they differentiate the external and local meaning of money.

In so doing, it follows three important steps for critical management research (Alvesson and Deetz, 2000). It started with a critical approach, in a context where discourse still privileged dominant perspectives. Other perspectives were then explored with interpretive work focussing primarily on women and with the empirical exploration of meanings from actor perspectives. The third step was to critique Indian microfinance models along the proposed spectrum of 'traditional', 'emerging' and 'new' models without using normative labels such as subsidised, unsubsidised and commercial microfinance. This research goes beyond the 'outputs' and 'outcomes' of microfinance and explores what money means to actors 'in situ', how they opt to use money, and how the outcomes are then accounted for. It questions any approach to microfinance impact which only highlights whether the poor 'have been reached' or 'have been left out' as if they do not have any choice. By contrast, it recognises women's agency, and also analyses how they continuously differentiate existing models of delivery, evaluate them according to their social relationships, make specific choices, and thus adapt the money available. Thus, the thesis considers problems of local, national and global relevance, and does this by focussing on issues of values and power, so to use social science for transformative purposes (Flyvbjerg, 2004).

1.5 Individual Chapter Synopses

Chapter 2 provides a macro perspective of microfinance and the rationale for focussing on the selected research issues. The evolution of microfinance is traced historically to reveal the engagement of different players including government, NGOs, bankers and donors, and the differing motivations they each had for partnerships, resulting in a wide spectrum of models by which microfinance services are delivered. It analyses impact approaches and finds a predominance of supply side and economic frameworks, which do not accommodate the diverse livelihood contexts in which microfinance actors and recipients are themselves situated. It elaborates on the first phase of extensive field research, including evidence about divergent perspectives about use of money. It reveals limited understanding about those women's SHGs which have been introduced as the forums to carry the task of taking and repaying the loans. The chapter thus establishes the three issues to be explored in the thesis and highlights the need to understand meanings that women themselves attach to money, and therefore, for working with actor-oriented perspectives.

Chapter 3 examines the concept of money as seen by anthropologists, economists and sociologists. Different perspectives of money are analysed, in terms of what constitutes money, how money is used and how actors create and assign multiple meanings to it. It elaborates the identification of multiple perspectives and livelihoods frameworks that came about from personal engagement with these in the course of development research and action. An orientation towards gender and development issues and principles informed the applications of these frameworks. The research is based upon a critical theory and an interpretive and reflexive approach, applied through participatory methods with particular attention to ethical implications of such engagement of external with local actors. The rationale for the choice of the region, NGO, research participants and methods are elaborated, along with a discussion of the challenges faced.

Chapter 4, 5, and 6 contain the main findings, which are supplemented with findings from the data sets from Sampark and in phase-1 research done in Bihar, Madhya Pradesh and Orissa. Chapter 4 elaborates the specific livelihoods context in which the research participants live, in terms of ecological and economic, institutional and socio-cultural contexts. It analyses the potential/constraints in the use/impact of microfinance on the livelihoods of people in a specific regional context.

Chapter 5 introduces the socio-economic profile and asset base of the case study participants. It analyses the use of money by women, and highlights that women differentiate between sources of money, and how this is linked to the terms on which money is offered and influences how women return these loans. Women's own regard for risk influences their demand and utilisation of money as a resource. The analysis outlines the factors influencing women's strategies for utilisation and repayment of loans. The chapter highlights the importance of social relations as a foundation for determining the strength and nature of financial relations and of the use and impact of microfinance, and differentiates how these vary across different models of microfinance delivery.

Chapter 6 analyses and interprets the findings about how women's groups use money, and the implications of borrowing from different sources. The use of own savings is analysed in depth. It interprets money management strategies of self-help groups of women. It identifies group processes of leadership and trust as factors that lay the foundation of long-term relationships among the women and with other organisations such as banks, NGOs and government. The analysis shows how social capital can help augment (or deplete) financial and physical capital, and how the existence or lack of the possibility of long term relationships influences the way financial relations are established between women's SHGs and the agencies supplying microfinance.

Chapter 7 synthesises the lessons from the case studies into key findings, and places them in the context of contemporary research. The meanings reflected in actor strategies have epistemological interpretations in terms of the use of language in the debates on microfinance practice and impact. The unique situation of Indian microfinance delivery models in presenting a countervailing force to the extreme neoliberal model is highlighted. The chapter also reflects on the contents of the research, provides some recommendations, and analyses the implications of this research on impact assessment frameworks and methodologies. The thesis is rounded off with a critical reflection on the process of the research.

Chapter 2

Poverty in India and Role of Microfinance

Poverty, especially in rural India is widespread, and women bear the brunt of it. Many rural women are self-employed in very small-scale activities, but their contribution is often unrecorded, with few statistics (MHHDC, 2002). Further, their income cannot lift them out of poverty, as they lack money, land and property (Ibid). Poor women lack work opportunities, are under-employed with casual work, have limited skills and education, feel undervalued, and lack access to better technologies, tools and productive assets including credit and other services which could improve their productivity and income (Berger, 1989; Bhatt et al, 1988; Barry, 1995; Bhatt, 2006).

Officially there is a multi-pronged approach to poverty reduction, ranging from policy support to agriculture and industry, through to enterprise promotion. High rural indebtedness has long concerned the Indian government, and measures have been taken to provide institutional credit (RBI, 1954) to households below the poverty line. This chapter profiles the poverty reduction measures, provides a short history of the micro credit movement, and summarises the different partnership models employed, mostly through the group lending method. Debates about these are set against the different behaviours and perspectives observed during the first phase of field research. These are elaborated to form the key research questions.

2.1. Past Poverty Reduction Interventions

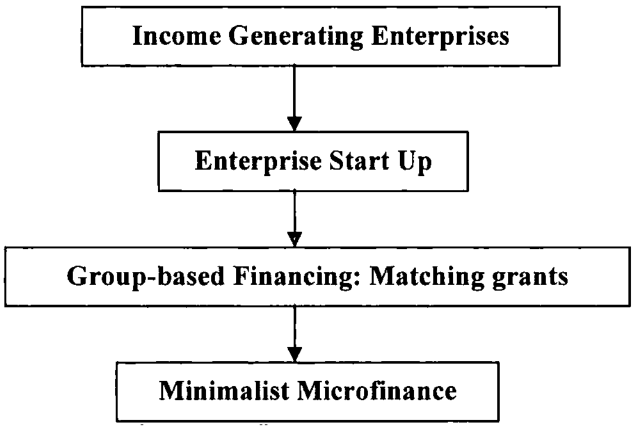
The estimates of people below the poverty line have ranged from 34.7% during the period 1990-2002 (UNDP, 2004), and 35% in 1993-94 (McGuire et al, 1998), to 26% showing that over 260 million live below the poverty line in 1999-2000 (Planning Commission, 2001). Poverty has concerned social workers, government and banks, and while their responses differ, there are now institutional partnerships unique to India.

2.1.1. NGOs in Development: The Road to Microfinance

The foundations were set during pre-independence among social reform movements, which were largely concerned with educational and cultural matters, as well as 'women's upliftment', albeit with limited focus on poverty per se. Later, a social welfare approach dominanted, encompassing education, relief and employment, while the Gandhian approach combined social reform with village development. Inspired by Freire (1970), the 1970s viewed poverty as a structural phenomenon to be tackled through active mobilisation of the poor (Riddell and Robinson, 1995). From the mid-1980s, NGOs emphasised participation of the poor in integrated development programmes (Premchander, 1999) and development agencies formally recognised the importance of socio-cultural factors (Kottak, 1985). Now there is a convergence of approaches, with more NGOs seeking to combine organisational work among the poor with economic improvement (Riddell and Robinson, 1995).

With a focus on support for income generating activities and enterprise start-ups since the early 1970s, women were targeted not only as the poorest and most vulnerable segment, but were also considered critical to ensuring household welfare. Women researchers like Karl, Jain and Hoskin challenged the assumption in development programmes that increased men's incomes translate into increased incomes for households (Karl, 1997). They argued that the contrary holds true: that an increase in women's income contributes directly to a family's food and basic needs, as compared to men's income, which is spent on personal consumption. Research further suggested that women's employment also led to reduced fertility rates, and therefore, better population control (Mukhopadhyay and Savithri, 1998). Such income generating activities were often NGO-managed. By the 1980s, with a lack of other employment opportunities for women, support for self-employment and women's enterprise became a viable option for realising their economic potential (Kraus-Harper, 1998). Enterprise start-up programmes, entrepreneurship development programmes (EDPs), and microfinance programmes all increasingly targeted women clients. However, certain NGOs lacked expertise in business promotion, and their programmes became expensive (Harper and Finnegan 1998; Otero, 1999). Thus, even as there was a shift from provision of 'welfare' services (e.g. health, education) to a more 'structural' approach, the ideal of economic upliftment with women as the primary clients of projects was common to different approaches (World Bank, 2001). Development programmes in the 1980s were increasingly group based, and savings were encouraged as a way of providing grants of equal amounts (matching grants). Later programmes providing matching grants were tapered down and merged with microcredit programmes. With the success of microfinance and pressure to cover their costs, NGOs took to 'minimalist' microfinance, which only provided financial services (Quinones, 2000; Premchander, 2003a). These shifts are depicted in Figure 2-1.

Figure 2-1: Changing Focus of Donors and NGOs



The emphasis on financially sustainable microfinance institutions increased significantly by the mid 1990s (Otero and Rhyne, 1994).

The prevailing Indian microfinance systems are a mix of minimalist, 'credit plus' (including BDS or other capacity building services), and integrated approaches. Various market-oriented, partially and fully subsidised credit products were delivered through a range of organisations from professional, private, non government and formal banking institutions. Most NGO/MFIs were fully or partially grant-based, with few examples of poverty focussed microfinance organisations capable of sustaining themselves without substantial donor support (Dunford, 1998; Hulme and Mosley, 1996; Fernandez, 2005).

2.1.2. Government Attention to Rural Credit

Official planning in India began in 1938, and industrial policies with socialist leanings accorded priority status to agriculture, which supports over 60% of the Indian population. The economic reforms introduced in 1984 were further strengthened in 1991 due to intervention by the World Bank and the International Monetary Fund and have been criticised for increasing the numbers falling below the poverty line (DANIDA, 2004).

2.1.3. Banks and Poverty Lending

Policy framers in pre-independence India considered that market imperfections led to local monopolies whereby moneylenders charged exorbitant interest rates. The first estimate of rural debt in India made by Mclagan in 1911 placed rural debt at Rs. 300 crores ($66.6 million). The Central Banking Enquiry Committee estimated rural debt in 1931 to be Rs. 900 crores ($200 million), and the All India Rural Credit Survey calculated a debt level of Rs. 315.8 ($7.01) per family in rural areas, yielding an estimate of Rs. 1800 crores ($400 million) in 1950-51. Over 90% of the credit was from informal sources, and over 70% from landlords/moneylenders and traders (RBI, 1954). The allegedly exorbitant rates led to the loss of land of small cultivators, increasing their debt and overall poverty (Thorat, 2005). The situation deteriorated for peasants as recurrent natural disasters and low productivity compounded the problems of the existing exploitative land revenue system (Karmakar, 1999). Land improvement loans were introduced in the late nineteenth century.

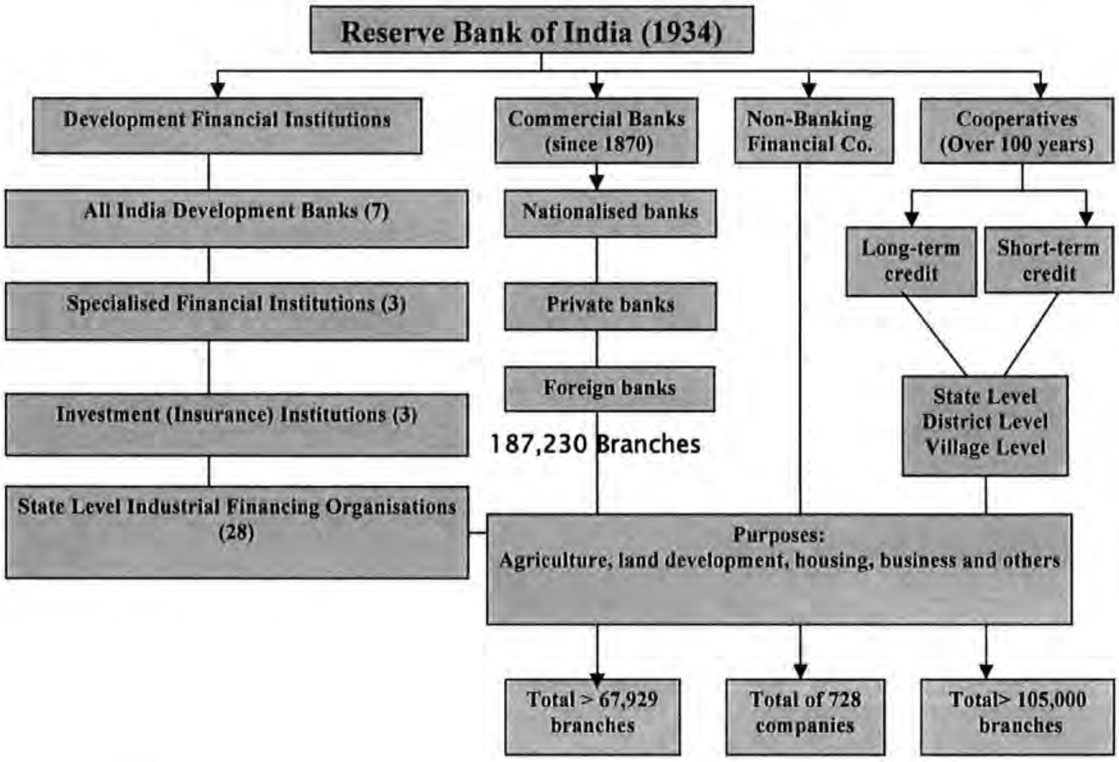
The structure of institutional finance for the poor is depicted in Figure 2-2. The historical development of credit was based on the concept of 'development banking', whereby credit is an instrument for mitigating poverty and promoting agricultural and rural development. Government enabled formation of cooperative credit societies in the early twentieth century, with the aim of building an institutional finance system for agriculture and of relieving farmers from indebtedness to moneylenders (Karmakar, 1999). Later long term credit for reclaiming agricultural lands was introduced through cooperatives and the cooperative credit system was linked to the central banking system. However, local elites could use their position to solidify their power and control over the poor. (Baviskar and Attwood, 1995; Woolcock, 1999). When cooperatives failed to make inroads into informal credit, the Reserve Bank of India (RBI) introduced long-term support for agricultural credit and also revamped the structure to increase state support to cooperatives.

Alongside these cooperative developments, government also influenced commercial and other banks to extend credit to priority sectors (agriculture, small and micro-enterprises). The State Bank of India and its eight subsidiaries opened 415 rural branches between 1959 and 1964. On the nationalisation of 14 banks in 1969, the banking sector became more involved in providing rural credit through 'social control' (Satyamurti and Haokip, 2002) which had three main strategies: promotion of institutional expansion, direct lending to disadvantaged borrowers and priority sectors, and subsidised interest rates.

By the 1970s, weak financial management of cooperatives was recognised and a new experiment to meet rural credit needs was conducted through Regional Rural Banks (RRBs). By 1982, the Agricultural Refinance division of the Reserve Bank was constituted as a separate entity – an apex bank – the National Bank for Agriculture and Rural Development (NABARD).

In the 1980s poverty alleviation programmes were implemented in tandem with district level credit plans drawn up by banks and coordinated by NABARD. By 1990, Service Area Approach (SAA) was introduced whereby RBI required banks to estimate and meet the credit needs of defined 'Service Areas' – groups of 20-25 villages. In this way, a large and expanded structure of financial services through cooperatives, RRBs and commercial banks at local level and support systems at district, state and national levels sought to meet rural credit needs. The banking structure in 2001, which prevailed at the time of this research, appeared thus:

Figure 2-2: Banking Structure



This gave a total of 41 development finance institutions, and a total of 187,230 branch banks. The total number of commercial bank branches was 67,929 in March 2001, of which 74% were metropolitan and urban, and the rest rural. Cooperative banks had 105,000 branches, including 92,628 primary agricultural credit societies and 728 RBI-approved non-banking financial companies (NBFCs). There were 191 RRBs, sponsored by 29 commercial banks, in 484 districts with 14,300 branches. By 2001, 49 commercial banks extended credit through SHGs (Seibel and Dave, 2002; Malhotra, 2002; RBI, 2003). Apart from NABARD and SIDBI, two housing corporations and several private banks considered financing through SHGs.

Government initiatives in microcredit were part of the Integrated Rural Development Programme (IRDP) of the Ministry of Rural Development of the GOI. IRDP was launched in October 1980 and involved skill training and subsidised credit support for the poor, which frequently never reached them (MHHDC, 2002). IRDP experienced problems of grant disbursal, and was plagued by low rates of repayment and poor quality of assets (SDC, 1997).

Government and banking logic for poverty lending thus conflicted. In addition, the government had a targeting approach; the poor were administratively targeted through a system which classified the poor by issue of cards as certification of their being below the poverty line. Corruption meant that some never obtained, and others bought them instead. In addition, there were loan *melas*; loan disbursement events that were politically motivated, wherein loans were given for agricultural and other purposes without due appraisal. This led bankers to believe that the poor were high credit risks (Harper, 1998; Satyamurti and Haokip, 2002; Premchander, 2003a). Although banks were expected to extend 40% of their credit to the priority sector, during the first half of 1990s they reached a maximum of 35% (Sinha, 2001).

In the early 1990s, the experiences in subsidised credit to rural areas were not positive and, such credit was seen as one of the major reasons for the non-viability of RRBs. In the 1990s, the government sought to reform state-owned banks and many donors (e.g. GTZ, IFAD, USAID, SDC) invested money in the turnaround of the RRBs, which were seen as instrumental in providing rural credit (Zeller, 2003a; Srinivasan, 2004).

Acknowledging the success of SHGs in channelling benefits to women, government then merged all major economic programmes into a single self-employment programme in 1991. This programme, the Swarnajayanthi Gram Swarozgar Yojana (SGSY), was delivered through SHGs, at least half of which would be women's SHGs (NABARD, 1999). The programme sought to cover 30% of all poor rural families in the five years following the reforms.

2.2. Partnership Models

The gradual acceptance of microfinance led to the emergence of partnerships between donors, government, banks and NGOs. The resulting models, based on inter-institutional partnerships, are characterised as 'relationship' banking or linkage banking compared with the Bangladesh model of 'parallel banking' (Seibel, 2000; Banerjee, 2002; Chavan and Ramkumar, 2002).

2.2.1. A Typology of Credit Programmes

One classification is according to whether the organisations are national or international, whether multi-purpose or minimalist, and the extent of their linkages with external donors (Christen et al, 1994). Another is based on whether the institutions are in the formal or informal sector (Robinson, 2001). The typology of credit programmes[1] developed here for comparing the models of microfinance in India, alludes to the different types of emerging partnerships as depicted in Figure 2-3:

Figure 2-3: Characteristics of Indian Microfinance Models

Institutional Form / **Role Played**	**Bank**	**NGO**	**Cooperative**	**MFI**
Facilitator	**Nature of Partnership:**			
Provider	Combination of form of institution and role played			

The main differences occur in:

- The form, or constitution, of the institution, which defines its ownership, management and services offered;
- The nature of delivery, i.e., 'provider' of microfinance; or another organisation is used as an intermediary for promoting SHGs and building their capacities, SHPI (Self Help Promoting Institution), or 'facilitator'; and
- The partnership of different types of organisations, and the roles and responsibilities of each.

An application of the three-dimensional typology suggested above is presented in Table 2-1.

[1] This is inspired by a typology outlined by Berger (1989), which considered institutional forms but did not consider the nature of partnership between the different types of organisations.

Table 2-1: Partnership Models for Microfinance Delivery

<table>
<tr><th rowspan="2">Institutional Form
Role Played</th><th colspan="2">Bank Linkage Model</th><th rowspan="2">Cooperatives</th><th rowspan="2">MFI</th></tr>
<tr><th>Bank</th><th>NGO</th></tr>
<tr><td>Facilitator</td><td colspan="2">Bank as provider
NGO as facilitator
(Figure 2-4)</td><td rowspan="2">Cooperatives as providers, sometimes they work through SHGs, so are SHPIs too (Figure 2-7)</td><td rowspan="2">MFIs as providers, to individuals of SHGs, so may also be SHPIs (Figure 2-8 and 2-9)</td></tr>
<tr><td>Provider</td><td>Bank as provider
Bank as SHPI
(Figure 2-5)</td><td>Bank as provider to NGO
NGO as provider to SHG
(Figure 2-6)</td></tr>
</table>

2.2.2. Bank Linkage Model

The mainstream model involves an SHG of 15-20 women, formed for mutual benefit, and able to access basic financial services. Members begin by saving small amounts of money, which are pooled, and then collective savings are converted into credit so that women can borrow from within the group at an agreed interest rate.

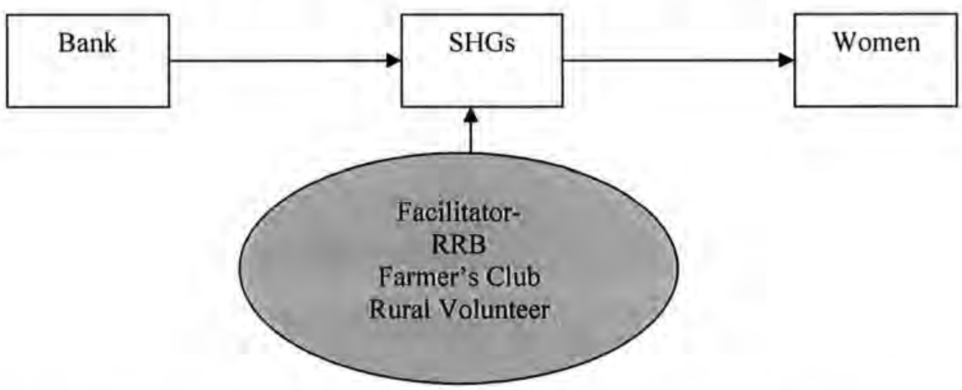
After the SHGs are nurtured and trained by the NGO, the local RRB or lead bank can lend directly to these informal groups. As a result SHGs are seen as grassroots structures to be promoted as channels for lending by the formal banking system. Due to the success of a pilot project launched in 1992 by NABARD and NGOs, the Reserve Bank of India (RBI) formally established the SHG-Bank linkage program in 1996 as a mainstream lending activity of the banks under priority sector lending. Under its scheme, NABARD provides refinancing to commercial banks at an interest rate of 8.5%. The banks, in turn, lend to SHGs at a rate of 11% to 12%. The SHGs are free to set their own interest rate when they lend to individual members; they usually set it around 24-36%.

In the most common model of SHG-bank linkage, depicted in Figure 2-4, the bank provides the finance directly to the groups, the facilitator works in the community to promote and train, and the NGO is the facilitator, also known as the SHPI. In 2003, this model accounted for 72% of the SHG-bank linkages (NABARD, 2003).

Figure 2-4: SHG-Bank Linkage Model (NGO as 'Facilitator')

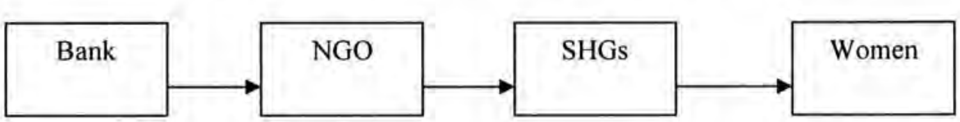
Variations in this model include an RRB, or a Farmers' Club in the local area, or a local rural volunteer as the SHPI (Figure 2-5). Twenty percent of the SHG bank linkages in 2003 were made this way.

Figure 2-5: SHG-Bank Linkage through RRB



Another type of partnership involved NABARD/Banks providing funds to NGOs who act as intermediaries for lending to groups (Figure 2-6). In 2003, funding provided through NGOs reached 8%.

Figure 2-6: SHG-Bank Linkage through NGO



In addition to funds and refinance provided through the banking sector, NABARD also provided funds to second-tier institutions to further lend to other NGOs, e.g.

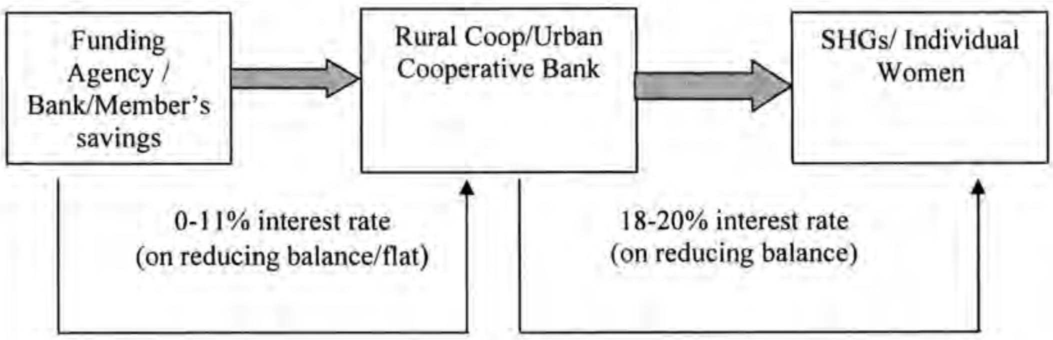
Friends of Women's World Banking (FWWB) (Banerjee, 2002). NABARD provided funds to groups or federations of women that function as SHPIs and MFIs e.g. federations of DHAN, Madurai (Puhazhendhi and Satyasai, 2000).

In the bank linkage model, the facilitating NGO plays the vital role of strengthening the groups' institutional capacities, with the intention of developing their capabilities to manage resources, including credit, and offering opportunities to acquire new productive skills. It also helps to link SHGs with local banks, markets, and/or private sector enterprises. The NGOs thus worked as 'brokers' enabling the poor to become more bankable, and the banks to be more poor-friendly. Because SHGs have a record of high repayment rates, the banks only require social collateral – the promise and expectation that group members will pay back on behalf of any defaulters, so the SHGs function as joint liability groups. At the same time, the facilitating NGO may achieve the objective of transforming livelihoods. Organisations such as MYRADA, PRADAN, LEAD, Outreach and Sampark all follow this framework. These institutions contend that it is not merely the provision of credit which is empowering, leading to a transformation of livelihoods for the better, but that proper self-management will empower as well (Fernandez, 2003; Joshi, 2003; Premchander, 2003). However, the relatively slow expansion of SHG-Bank linkages (Banerjee, 2002) in comparison with that of SHGs and the corresponding increased demand for credit necessitated development of alternative credit delivery methods to fill the 'credit gap'. Commercial banks only dispensed micro credit to fulfil minimum official obligations. NGOs could not attract enough funding to continue their capacity building and facilitating roles (Premchander, 2003a).

2.2.3. Microfinance Cooperatives Model

An alternative to the SHG model was the registered cooperative, which preceded the SHG model for provision of short and long-term agricultural credit in India. The main sources of funds include members' savings and loans from NABARD or RRBs (Figure 2-7).

Figure 2-7: Cooperative Model

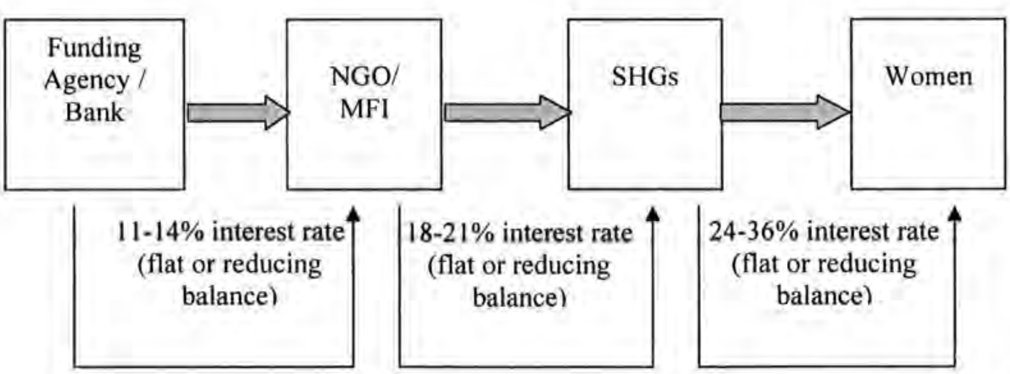


A cooperative is an autonomous association of persons united voluntarily to meet their common economic, social and cultural goals and aspirations through a jointly owned and democratically controlled enterprise. Most cooperatives include member-financing and savings activities in their mandate. Historically, while cooperatives were established channels for organising rural producers, they were largely state-backed and politicised accordingly (Fisher and Sriram, 2002). In May 1995, the Mutually Aided Cooperative Societies (MACS) Act was passed in the Andhra Pradesh state assembly to enable cooperatives to reduce state patronage. Similar Acts were subsequently passed in Bihar, Rajasthan and Karnataka, to this effect.

2.2.4. NGO-MFI Model

The bank linkage model was slowly accepted, then proliferated by the early 1990s. As donor interest grew, more NGOs became financial intermediaries. NGOs registered as charitable institutions and engaged in micro credit provided they did not collect savings (Figure 2-8).

Figure 2-8: NGO-MFIs as Financial Intermediaries



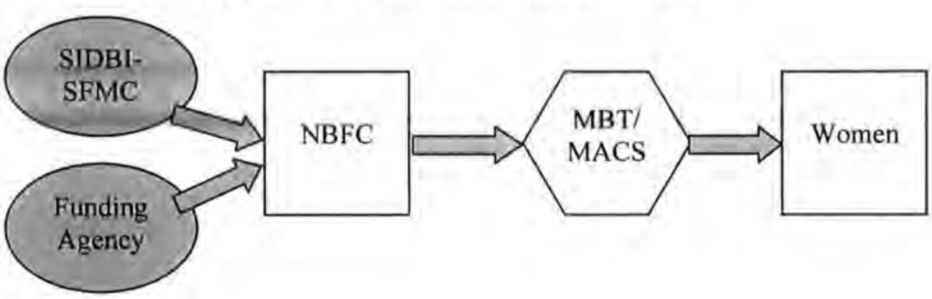
As their costs increased, they responded by charging higher interest rates. For instance, while a wholesale lending organisation like Friends of Women's World Banking (FWWB) or SIDBI Foundation for Micro credit (SFMC) provided refinance at 11 to 14%, NGOs/MFIs in turn on-lend to the SHGs at 18 to 20%, and the SHGs then charged individual members between 24 to 36% per year. Even with increased interest rates, optimal scale was still problematic, however.

Another institutional form was that of the Section 25 Company, which was a not-for-profit company registered under the Companies Act. Again, this allowed for micro credit activity but not for collection of deposits. These companies needed access to loans to expand outreach, which was difficult unless the equity base was augmented. Thus, not-for-profit institutions sought different institutional forms, which would ostensibly enable them to reach more borrowers and achieve financial sustainability.

A number of apex refinancing institutions for development then converged towards on-lending through NGOs and SHGs to women. Approximately 300 to 400 NGOs were engaged in financial intermediation with Rs. 800 million of credit ($17.7 million). However, these institutions had a 'credit first' approach which focused on credit delivery and reduced empowerment to secondary status (UNOPS, 2002).

Donor-funded projects encouraged NGOs to become independent MFIs. A few adopted a method by which they established a set of three organisations (Figure 2-9). Women members first deposited their money in a Mutual Benefit Trust (MBT) or a Mutually Aided Cooperative Society (MACS), technically a member-owned institution, which is permitted to collect savings from members. Money was then routed to an NBFC, to raise further capital, both in the form of equity and loans. This augmented 'stock' of money was then channelled to women as loans to generate profit for NBFCs. Such NBFCs were not always permitted to take public deposits.

Figure 2-9: MBT/MACS-NBFC Model



In addition to routing the member's savings, some NBFCs also encouraged women to take shares. Members were required to contribute one or two percent of the loaned amount to them, at one stage or over 50 instalments in a year, to be taken as equity. This raised legal complications because the law did not then specify whether Mutual Benefit Trusts and MACs could route their member's money to NBFCs. If NBFCs were not authorised to take deposits, such routing could be interpreted as jeopardising the security of the women's deposits (UNOPS, 2002). Women did not necessarily understand the difference between savings and equity; it was considered a compulsory charge for taking a loan. Normally NBFCs would have considered compulsory charges as 'fees,' and then book revenues and pay taxes. By booking these charges as women's equity, NBFCs not only avoided tax but also augmented their own equity base, so they could raise more loans. However, the question remained whether it was right to create a stake for women without then giving them a voice. But NGO staff and senior management managed these NBFCs, and women's direct board representation was nominal at best. These operations were niether covered by deposit insurance, nor controlled by bank supervision agencies, and covariant risks were judged high as members were from the same locality and community (UNOPS, 2002; Rutherford and Staehle, 2002). As a result the "tenuousness of the NGO position was even more dangerous to the saver" (Padhi, 2003: 4).

This raised the research question of whether ownership and control of their own finances was actually important to women, and whether it had an effect on how they managed money. Literature does not prioritise protection of women's savings in the agenda for building people's own organisations, nor does it recognise that stakes in the organisation must be substantial enough to hold their leaders accountable (Rajagopalan, 2003; 2005). This is further explored later.

2.3. Challenges and Impact Approaches

International donors encouraged NGOs to enter microfinance as an effective entry point for credit, other development work and livelihoods support (Joshi 2003; Vyas 2003). Larger NGOs act as facilitators (MYRADA, PRADAN, CYSD, Outreach, DHAN) or as providers (SEWA Bank, BASIX, SHARE, Spandana, CASHPOR) while still attracting significant donor funding, as occurs elsewhere (Tvedt, 2002; Hermes and Lensink, 2004; Mosse, 2005).

The distinctive character of Indian microfinance, where NGO/MFI interventions co-exist with those of the government, paralleled with several multi-partner collaborations, leads to a complexity arising from the different goals of the intervening organisations and the roles they now play.

2.3.1. Competing Approaches to Microfinance Delivery

Two broad schools of thought have emerged about this. The first pursues unmet demand for credit through new supply institutions (Mahajan et al 1998; Mahajan, 2003; Sinha, 2001) and advocates transformation of NGOs into MFIs, believing that NGOs with little or no previous experience as MFIs reach the poor quicker than the commercial banking network (Bose and Ranjani, 1998; Jenkins and Goetz, 1999). The second calls for more 'social engineering' as the strength of NGOs, and of banks in banking (Dunford, 1998; Padhi, 2003; Otero and Rhyne, 1994; Rutherford, 2000; Fernandez, 2003; Gibbons, 2003). A risk of NGO transformation into MFIs is shifting from investing in human and social capital at the grassroots towards 'pure' financial intermediation (Fernandez, 2003; Berenbach and Churchill, 1997; McGuire et al, 1998; Quiñones, 2000; Premchander, 2003). Those who advocate new MFIs hold that credit needs to be supplied, even at high cost (CGAP, 2002), whereas the second school sees the problem in terms of providing credit to users at reasonable costs.

To the second school, the NGO sector is not yet equipped to become fully fledged MFIs. New MFIs were allegedly slow and expensive to develop (Harper, 2002), and their success was based on intensive grassroots monitoring, which increased costs, but improved outreach as well as sustainability (Nair, 2001). Their rationale is not to fill the gap between demand and supply at high cost, but rather to create competition among suppliers that would then resolve the cost of credit (Fernandez, 2003; Ramanathan, 2003; Narendran, 2004).

The move towards minimalist commercial microfinance excludes provision for non credit financial services which is variously attributed to the high cost of delivering and measuring these inputs, and fear of so eroding financial sustainability of organisations that they lose potential donor funds (Dunford, 2001; Cheston and Kuhn, 2002). Other agencies believe that capacity building of clients is an NGO responsibility (thus externalising of the issue), which they cannot yet meet (UNOPS 2002). Townsend et al (2003) further attribute the trend towards minimalist microfinance to a situation where southern NGOs have become a transmission channel both for donor fashions and for 'new managerialism', making it more difficult to 'listen' to and prioritise the poor. Townsend (2003) argues that development trends, as evidenced in practice and vocabulary, tend to transfer quickly from donors to NGOs generally creating the phenomenon of 'donorspeak'.

Another extension of the differentiation of roles of NGOs has been to assign priority to people-owned institutions with implementation processes that empower the poor as a key means of development of 'social capital' (Fernandez, 2001; Satyamurti and Haokip, 2002; Srinivasan and Castro, 2003). Such an effort is perceived to need long-term partnership approaches (Zeller, 2003a; Wilson, 2003; Cheston and Kuhn, 2002; Dunford, 2001; Sharan, 2000; Hendricks, 2002). However, in India, while the establishment of financially sustainable MFIs is currently well supported through donor programmes, funding support for MF programmes that seek to empower people and build people-owned MFIs is less widespread (Dichter, 1999; UNOPS, 2002; Chidambarnathan and Premchander, 2003; Premchander, 2003; Premchander, 2005). Social capital is used to place the financial health of the microcredit programme before the welfare of its members. Rankin (2002) and Holvoet (2005) argue that social capital of women is used as if free of cost, to conduct financial intermediation rather than liberate their transformation potential.

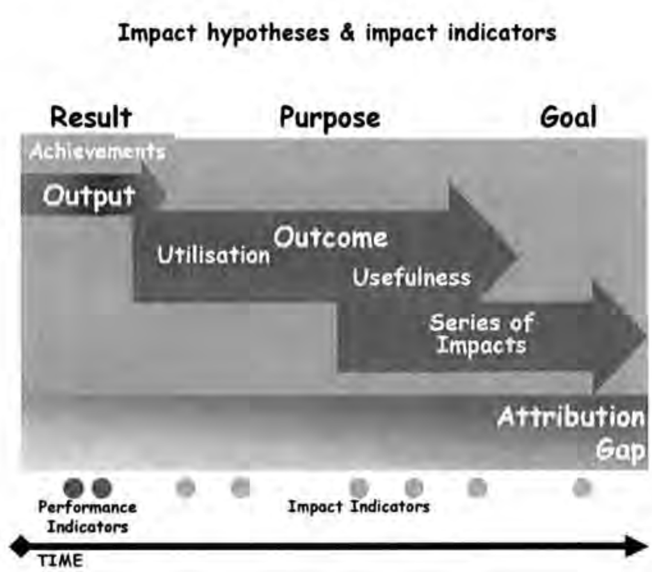
The strategic role of microfinance sector still needs to be addressed before the questions about its internal structure can be resolved (Fernandez, 2003). Berger (1989) conceptualised credit as a system of financial intermediation that allocated/transferred resources over time, and from one household or firm to another. Financial development interventions look towards improving intermediation (through creating institutional structures, mechanisms and policy instruments), with the further goals of development of certain sectors (agriculture or industry), economic diversification, job creation and further political empowerment (Berger, 1989: 1018).

Given its history, a well-developed rural banking infrastructure with a choice of microfinance delivery models, has produced much debate which has limited connection to its poverty reduction impact.

2.3.2. Current Approaches to Impact

Although the microfinance sector grew rapidly, issues have been raised about its effectiveness. There are challenges to the argument that self-financing is a cost effective tool for both the delivery agent and client at the same time. Doubts have also been raised about other outcomes for the poor (Dunford, 1998). Impact is hereafter defined as "the systematic analysis of the lasting or significant changes – positive or negative, intended or not – in people's lives brought about by a given action or a series of actions" *(*Roche, 1999: 21*).* Figure 2-10 depicts an understanding of impact, with immediate results of activities termed outputs, and medium term effects termed outcomes.

Figure 2-10: Understanding of Impact

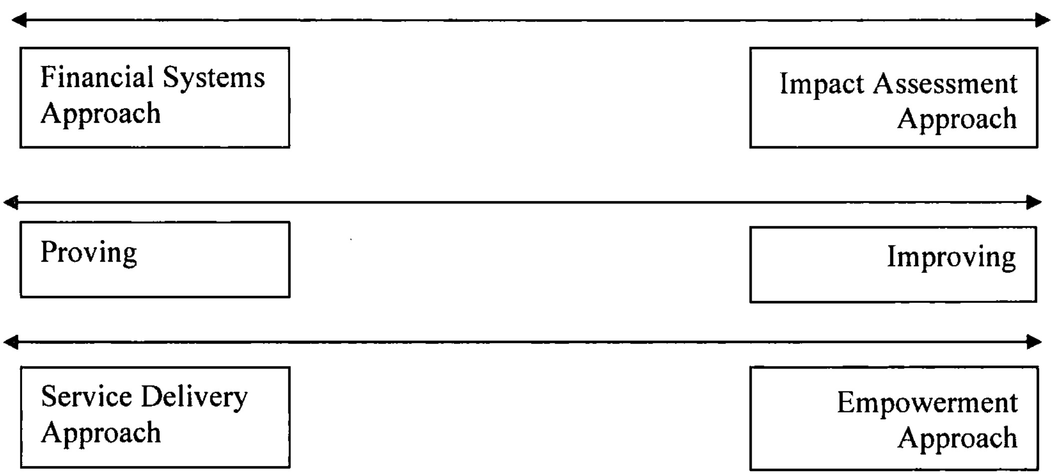


(Source: Herweg and Steiner, 2002)

Certain studies only focus upon long term impact but it is difficult to link interventions to specific effects, and there may be more attribution error over time (Herweg and Steiner, 2002). Donors initiate and fund most impact studies (Dale 1998), including those about microfinance, with a perspective of tracking the use of money invested. A supply perspective is often the result of such top-down impact assessments, whereby donors lead the approaches and technology development in this field (Sebstad and Chen, 1996; Kamal, 1999; Cheston et al, 2001; Nissanke, 2002). Donor appointed consultants typically undertook the impact assessments.

There are three different perspectives to microfinance impact assessment (Figure 2-11). One debate is polarised between the financial systems and the impact assessment approach. Another questions the rationale of conducting impact assessments just for ensuring effectiveness of money use (proving) and advocates measures to augment it (improving) (Hulme and Mosley, 1996). Yet another contrasts service delivery with its ability to empower (Johnson, 2005).

Figure 2-11: Spectrum of Different Perspectives on MF Impact

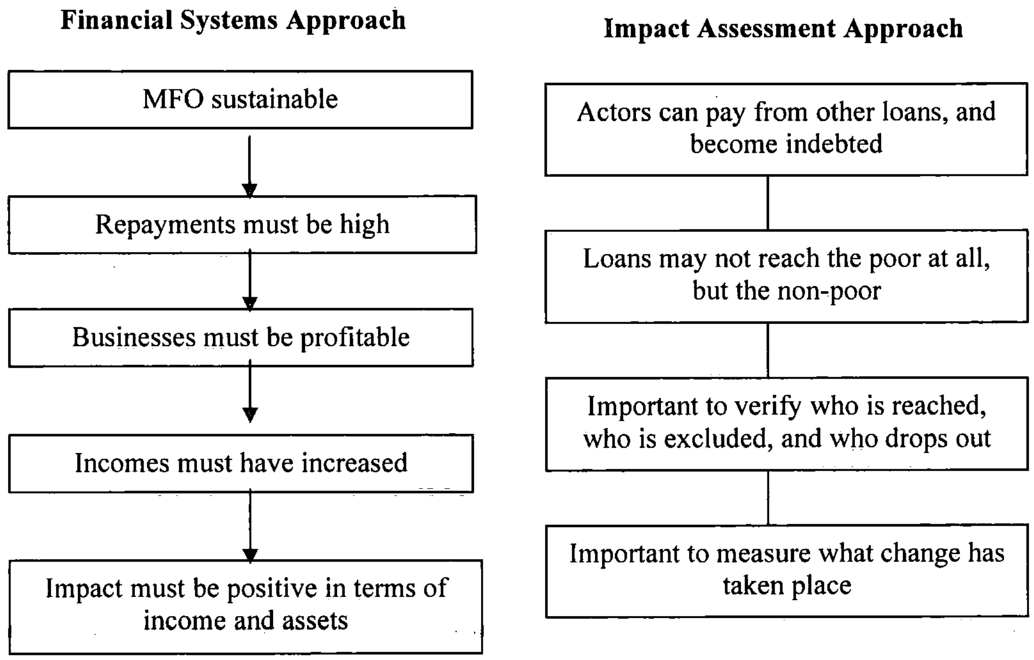


In the 1980s, when loan repayments were taken as proxy for good repayment performance, repayment rates were manipulated (Woolcock, 1999). By the early 1990s, there was pressure to show real and sustainable returns (Robinson, 1995; Morduch, 1998). The financial systems approach drew upon Yaron's (1992) model, which considered independent financial sustainability of MFIs, in the absence of domestic or foreign aid, as the new benchmark (Woolcock, 1999). This held that if the financial institution delivering the services was financially sustainable, then repayment rates must be high, indicating increased income flows, which made further impact studies unnecessary. The market provided a proxy for impact, repayment rates being a proxy for client satisfaction and positive impact (Rhyne, 1994), and the financial health of the microfinance institution was adopted as a proxy indicator of positive change (Johnson and Rogaly, 1997). Hence, the scale and sustainability of the MFI was an indicator of impact.

Those who challenge the financial systems approach, emphasise the need to audit the MFI users, and differentiate them accordingly. In the impact assessment approach, impact on poverty reduction is continually assessed rather than taken-for-granted (Ibid). Further, while MFIs do not have funds to assess financial sustainability based on indicators like subsidy dependent index, they do use less formal methods such as PRAs instead (Chambers, 1991).

The two approaches are depicted in Figure 2-12.

Figure 2-12: Approaches to Impact Assessment



The paradigm shift is related to the movement from 'proving' to 'improving', or 'planning' impact (Hulme and Mosley, 1996; Goyder, 1998; Cheston and Reed, 1999; Copestake, 2000; Simanowitz, 2003b), emphasising the role of monitoring and impact audits, and client feedback (Cohen and Gaile, 1997; Garcia, 1998; Copestake, 2003) through learning approaches and constructive dialogue (Dale, 1998; Barrientos, 2003; Dand et al, 2003). Some experts advocate further dissemination of findings about these improvements (Albu et al, 2003). Others recognise that, despite the potential benefits, collaboration is often inhibited by competitive rivalry which reduces genuine information sharing (Mosley, 2000). The change from 'proving' to 'improving' impact can overemphasise short-term projects (Premchander, 2003c; Dand et al, 2003). As a result "research on outreach and impact on poor people has not contributed significantly to better product development" (Rutherford, 2000; cited in Fisher and Sriram, 2002: 109).

The dichotomy between the supply-led financial systems and the demand-led empowerment approach manifests itself first in different beliefs about the best methodologies and approaches to impact assessment, the former emphasising delivery and the latter female empowerment, therefore assessing different aspects using multiple indicators. This research reviewed several impact studies with regard to their approach, methodology, tools and indicators. These are listed in Appendix 1.

Table 2-2: Units for Impact Assessment

Client	Institutions
• Individual • Household • Enterprise • Group • Community	MFIs / NGOs

The units of assessment are listed in Table 2-2. The first indicators were related to financial sustainability of the delivery organisation (Yaron, 1992). Later, impact for the institution and clients was distinguished (Otero and Rhyne, 1994; Chen, 1997; Cohen and Gaile, 1997) and poverty measures were developed so donors could check poverty outreach of MFIs (Hatch and Fredrick, 1998). Impact studies usually assess impacts for a subset of six units: individual, household, enterprise, group, community, and MFI/ NGO. Impact indicators have been classified here using the framework of Chen (1997) and Cohen and Gaile (1997), in terms of whether the change was material, cognitive, perceptual or relational reflecting the multiple indicators used. The classification that emerges is depicted in Table 2-3.

Table 2-3: Aspects and Indicators for Impact Assessment

Aspects of Change	Impact: Client Level (Individual, Household and Enterprise and Community)	Impact: Institution Level (MFIs/NGOs and Groups)
Material	• Income – increased security, reduced poverty and contribution to household (individual, household and enterprise level) • Resources – increased access, control over and ownership of assets and income (individual, household level) • Basic needs – improved health care, child care, nutrition, education plus housing, food security or reduced food shortages, reduced infant mortality, school drop outs paid clinic health clinic subscription, access to fuel, drinking water, and toilets drainage (individual, household and community level) • Earning capacity – increased employment opportunity (household and enterprise)	Income: Financial sustainability of MFI/NGOs Resources: increased role of groups in accessing basic needs through state services
Cognitive	• Increased knowledge (individual) • Improved skills (individual) • Increased awareness of wider environment (individual) • Ability to interact in public sphere – increased new contacts and new ideas (enterprise)	
Perceptual	• Self esteem –(individual level) • Self confidence –(individual level) • Vision of future - ability to think ahead and plan for the future (individual level) • Visibility and respect for individual's values (individual level) • Status – increased (household and community level)	Leadership – increased the strengths of local organisations and local leadership (group level) Management capacities – increased leadership and management capacities of groups (group level)
Relational	• Bargaining power – (individual, enterprise level) • Participation – in non family groups, local institutions and government and political process (individual, enterprise, community level) • Self reliance – reduced dependency for access to resources, markets, public institutions (individual, enterprise and community level) • Decision making - increased (household and community enterprise level) • Solidarity – increased solidarity (community level)	

Some authors expressed concern that integrating women in the development process was "harnessing women's labour for development", rather than "development for women" and stated that "the question of women's participation in credit programmes have a distinctly political light – raising issues of power, not just productivity" (Goetz and Sen Gupta, 1996: 47). Women's own leadership and accountability, therefore does not even appear as a concern:

> "Much of the debate around women's financial services organisations is on what 'else' women are doing, apart from the savings and credit – as if the savings and credit activity is strong, and as if women are managing these services well, and as if these services have resulted in their economic betterment" (Rajagopalan, 2004b: 3).

Another recent critique of microfinance impact studies alleges that impact studies take a 'narrow' perspective, limiting themselves to households/enterprise (or micro level) impacts, whereas 'wider' impacts would include meso and macro level impacts. The differentiation is thus made between 'types' and 'levels' of impacts, where the types, or 'domains' of wider impacts are categorised as cultural, economic, social and political, and the 'levels' are categorised as local, regional and national, thereby giving the 'levels' a spatial dimension. Impact studies are also narrow in the sense that they consider impacts of individual programmes or comparisons across them, but do not include impacts arising due to the presence of several MFIs in the same area (Zohir and Matin, 2004).

Lately, the coverage of impact studies has increased vastly. One example of a behavioural approach emphasises the potential for integrating interests of stakeholders (governments, beneficiaries, donors, MFIs) and argues that MFIs best balance client needs with donor rules (Graziosi, 2002). Another approach outlines the need to study not only the physical, social and economic aspects but also the spiritual-social aspects like solidarity, service, cooperation and justice, and espouses the values of unity, development and peace for humanity (Zahrai, 2001). Finally, there is greater openness in acknowledging that there are negative impacts (Singh, 2003; TBF, 2002; Garikapati, 2003). Guèrin (2006) cites several studies with results that show inability of microfinance in reducing inequalities (Fernando, 2001; Weber, 2004; Copestake, 2002), in reducing gender inequalities (Johnson, 1999; Kabeer, 2001; Mayoux, 1999) and in creating over-indebtedness (Huq, 1997; Sunil, 2005). At the same time, there remain the unanswered questions about the selection of appropriate methods, simplistic attributions and the fungibility of cash, which made it difficult to track the use of money from one application to another. Further, even with combined quantitative and qualitative methods, the costs of assessment are high (Nissanke, 2002).

2.3.3. Findings of the Key Impact Studies

Introducing the Studies

The first landmark study to critique microfinance was Hulme and Mosley (1996) who studied 12 organisations in 7 countries (India, Bangladesh, Sri Lanka, Indonesia, Kenya, Malawi and Bolivia), which provided microfinance through private, NGO, formal banking and cooperative institutions. Another impact study (EDA, 2003) covered ten MFIs in India supported by a project implemented by SIDBI and supported by DFID, UK and IFAD, Rome. It was a cross sectional study intended to serve as a baseline for further work, and questioned whether the project was meeting its objectives of "substantial poverty reduction and reduced vulnerability in India amongst the users of microfinance services, especially women" (Ibid: 4). A third recent study, Burra et al (2005), presents a set of case studies which specifically examine the extent to which different microfinance initiatives achieve women's empowerment. The programmes/ organisations covered included Andhra Pradesh South Asia Poverty Alleviation Programme (SAPAP) (Murthy et al, 2005), SHARE, AP (Rajivan, 2005), DHAN Foundation, TN (Padia, 2005), Swayam Shikshan Prayog, (Parthasarthy, 2005), Lokadrushti, Orissa (Rajagopalan, 2005), and ASA Trust, TN (Sharma, 2005). These three studies covered 28 microfinance programmes, of which 17 were located in different states of India; the first two aimed to measure poverty reduction impacts, while the third one emphasised women's empowerment impacts.

Orientations of the Studies

Hulme and Mosley (1996) recognised that microfinance schemes were 'idealised' and 'traditional' state-subsidised finance was denigrated in the then dominant paradigm, and sought to go beyond these to seek evidence regarding financial viability, productive impact and poverty impact of microfinance. An important aspect of this study was the recognition of the role of politics in financial intermediation. They highlighted the tendency of donors, (especially in projects supported by USAID, ADB, and World Bank), to use the money to promote their own ideologies, demonstrate a commitment to poverty reduction, and/or simply a pressure to commit and disburse their funds. The NGOs and MFIs in the study, which collaborated in these programmes, did not challenge the donors.

Poverty Outreach

One case study (Mosley, 1996) found that of the 37% below the poverty line 75% had never borrowed before, while others had only borrowed from family, friends, and traditional moneylenders. RRBs were successful here in expanding savings services, and in reaching those hitherto not served by credit institutions, and had survived as organisations despite low repayment rates. Hulme and Mosley (1996) found that impact on borrowers was positive compared to non-borrowers, but benefiting the 'middle' poor more than the 'core' poor, while the institutions that pursued their own financial viability had a tendency to concentrate on the former, and the latter needed 'protective' rather than 'productive' credit.

The EDA study did not report poverty outreach by the different organisations, but found that, in total, 30% of the members were from SCs and 39% were poor, with others on the borderline or non-poor, and 14% were women headed households which were particularly vulnerable.

Context

Hulme and Mosley (1996) found that loans for agriculture had lower repayment rates. The EDA study showed that in the North and East, where poverty was more concentrated were under-represented, and that the poorest were not really being served. Though context is seen to be related to poverty, this study takes a supply view when arguing for a supply gap, but does not question or specify how contextual factors affect demand for credit.

Women's Use of Money

A study covering impact of microfinance through SHG-bank linkage facilitated by an NGO in Orissa highlights how women did not borrow for productive purposes from their own savings in the bank, keeping them for 'emergency purposes' (Rajagopalan, 2005). It also highlights the risk of women's capital being mobilised and used outside the district.

Group Dynamics and Processes

Another study found how group leaders had taken more loans and had acquired greater access to panchayat leadership compared to other group members (Parthasarthy, 2005). Beyond this, few studies investigated SHGs in detail, nor did they dwell upon group dynamics, though they did observe that groups served only as mechanisms of cost and risk reduction for the institutions. "The most significant political empowerment that our work revealed was not that of borrower or member empowerment, but of the financial institutions and particularly their leaders and senior managers" (Hulme and Mosley, 1996: 153-154).

Caste Discrimination and Further Impacts

Though reduction in caste based discrimination was not addressed by the studies, they do note that the issue was not addressed by any of the projects, and while some occasional anecdotal evidence exists about groups members meeting one another, caste continues to be a major determinant of social relationships (Rajivan, 2005). Hulme and Mosley (1996) also held out little hope that financial intermediation for the poor would be able to influence local or national socio economic structures or political relationships.

Gender

Hulme and Mosley (1996) did not cover gender aspects directly, but they did caution that female participation cannot be treated as an indicator of female empowerment, on the basis of other studies. The EDA study found that women were targeted for 'pragmatic reasons', as they were willing to attend group meetings and comply with savings and loan terms, whereas men preferred larger, individual transactions. Sharma (2005) points to negative effects, as new economic enterprises may increase the work burden of children, particularly girl children, through increased enterprise related work, domestic work and child care responsibilities. The studies do point towards several leakages from microcredit, on alcohol and tobacco consumption, dowry, puberty rites and death ceremonies. Other studies that showed negative gender-related impacts include increased workload, husband's control over the income (Mayoux, 1997), increased inequalities among women (Mayoux, 2001; Rankin, 2002), pressure to repay credit from programme staff (Rahman, 1999), and increasing domestic physical and verbal abuse (Rahman, 1999; Goetz and Sen Gupta, 1996; TBF, 2002).

Figure 2-13: Conflict of Objectives

> "It is clear that, despite the rhetorical claims of poverty reduction and empowerment the main motivation for female targeting in many microfinance programmes is higher female repayment rates. The main motivation for group formation is cutting costs through demanding that women contribute their own time and resources for routine programme administration. Micro-finance services for men rarely make such demands and where they do so are generally unsuccessful. Changes in products and complementary services currently introduced to increase financial sustainability often have negative impacts on poverty reduction and empowerment objectives. This is not because there is an inherent conflict between sustainability aims and these broader development objectives. It is rather because the gender and poverty implications of the mechanical ways in which sustainability 'Best Practice' has been imposed have not been thought through."
>
> (Cheston and Kuhn, 2002: 6-7).

Empowerment related aspects include improvements in leadership and management capacities (PRADAN, 1997), the creation of savings, and the development of assets linkages with mainstream financial institutions (Wilson, 2003). Burra et al (2005) showed a large range of empowerment impacts, both for the individual woman and collectively, arising from microfinance interventions. Again, these studies adopt an outcome perspective, rather than a 'process' perspective, offering few insights into processes that inhibit or enhance women's empowerment.

Cross Model Comparisons

Studies cover outcomes and impacts rather than processes. Although the NGOs and MFIs covered in all three sets of studies above examined different microfinance delivery models, they did not employ cross model comparisons or clarify differential impacts.

All these studies take an institutional perspective and largely cover those who take loans. The coverage of those who did not opt to take loans is also from the supply perspective, as a control group to measure outcomes and impacts. They leave a gap in understanding from the perspective of the poor themselves, for instance, in finding out why the latter did not participate in the NGO/MFI microfinance programmes.

2.4. Multiple Perspectives about Microfinance Use

During the first phase of research, divergences emerged between institutional (external) and actors' own (local) perspectives about money and its use. These are now discussed.

2.4.1. Use of Money

Earlier microfinance literature considered loan products – their purpose, interest rate, source and size but paid less attention to the linkages between financial products and resulting impact.

Role of Savings

The use of savings ranges from supply-oriented uses (risk coverage) to demand-oriented (emergency needs). For women, the latter offers a safe place for savings which husbands cannot access, and this can also earn a reasonable return, which helps during lean periods or times of crises (Johnson and Rogaly, 1997). A major reason for saving was to collect significant sums when needed (Rutherford, 2000; Wright and Dondo, 2001).

In the supply perspective, 80 percent of the world's poor and 90 percent in developing countries have no access to institutional savings and credit facilities beyond that provided by friends, family and money lenders (Robinson, 1995). Further, savings options offered by MFIs extend over a spectrum. At one end are fixed sums to be saved compulsorily every week/ month, against which loans are given, and which cannot be withdrawn. At the other end are options for flexible savings and withdrawals (Johnson and Rogaly, 1997; Wright, 2006; MicroSave Africa, 1998; Mutesasira, 1999). This view that the poor need a safe place to save has been contested in the Indian context where credit is viewed as the more critical function needed from formal institutions: "It is quite common to hear people grumble that the bank which willingly keeps their savings is not so forthcoming when it comes to advancing loans; it is rare to hear them grumble that the MFI that gives them loan is not collecting savings" (Fernandez, 2005: 2).

MFIs insist on regular savings in order to screen out potential defaulters, build up financial security, augment financial resources for lending, and encourage members to appreciate the financial health of the institution (Johnson and Rogaly 1997; Getubig et al, 1998). Researchers recognised that MFIs offer savings services to gain a cheap source of funds for further lending, resulting in more sustainable financial operations. Savings are therefore seen as the "sustaining half of microfinance" (Otero and Rhyne, 1994: 9). UNDP asserts that savings are not offered as financial services, but rather as a precondition for getting loans; they are blocked without interest, and are difficult to reclaim even after full repayment (UNDP, 1999). An additional aspect is the safety of poor women's savings. Deposit taking institutions are expected to comply with banking regulation and supervision regimes that protect their depositors (Otero and Rhyne, 1994; NABARD, 2002).

During a visit to an interior village in Orissa, group members claimed that they had been depositing all their savings with the NGO, in the hope of getting loans in multiples of their collective savings. As a result, there was no cash balance retained at the group level. In one village, a child fell into a well, and needed to be taken to a hospital immediately. The women approached five groups, but none had enough retained cash, and the child died. There were at least three other cases of women needing to take relatives for medical treatment, and not being able to get financial support from their groups. The pooling of money with the NGO, which was based on the financial logic of keeping savings as a basis for distributing loans, was clearly at cross-purposes with the need to retain their savings, to cope with emergencies and medical needs.

Further divergence between model and practice of microfinance in relation to savings and loans is given in Tables 2-4.

Table 2-4: Divergence in Microfinance Savings: Model and Practice

Claim of Commercial Model	Observed Practice of Microfinance
Supply perspective Cost reduction for MFI Risk reduction for MFI	 Offered nil or low interest on savings Retained control over savings with MFI rather than women, creating low access and high risk for women
Demand perspectives Easy Access Returns Safety	 Access limited Returns nil or low Safety risks

While models acknowledge that savings help smooth consumption during crisis, impact studies do not cover either the management or the impact of savings. It is acknowledged that "hot money" that comes from women's savings will probably be used better than 'cold' money from external sources (Mask, 2000: 23). There are instances where a support institution establishes a revolving fund that makes group loans to collectives ('cold money'), whereas collectives blend this cold money with their own savings ('hot money') to fund loans (BRCS, 2002).

An economic perspective on savings considers it a sacrifice of present consumption for the future, and surmises that savings channelled into productive investment leads to material progress (Keynes, 1936). Desai (1967) elaborates on the role of savings in fulfilling social obligation (e.g. education and marriages of children, maintenance of dependent relatives, performance of religious ceremonies and festivals), and thus highlights the use of social and cultural aspect of use of savings. The actuality of access to savings may therefore differ from what many expect, and there is limited research into the value that women's own savings have for them. For instance, the amount and impact of savings were not even mapped in the impact study of SEWA Bank (Chen et al, 1999).

Purpose of Loan

Most microfinance organisations visited provided loans for 'productive' rather than 'consumption' purposes. The former included investments in income generating activities and businesses, seen as desirable as they led to increased cash flows later used for repayments. The latter, for the same reason, often resulted in further indebtedness instead. The women members of SHGs, especially the poorest who lived in Charbhati, a remote village, did not share this perspective. During one field visit, a cluster meeting was observed where over twenty groups came to one central place to deposit their savings and take loans against it from an NGO. Five groups from this cluster, all belonging to the same village, did not attend. When I invited the women members of groups to a discussion, in a large open space at the entrance of the village, only a few were in the village at the time; but nearly twenty joined the discussion. The NGO staff explained that these women were 'not regular' in their savings, were not 'disciplined', and therefore did not 'qualify' for loans. Women who had borrowed from the group savings explained the amount and purpose of their loan thus:

"Rs. 50 ($1.11) for own fever"

"Rs 40 ($0.88) for child's fever"

"Rs. 190 ($4.22) for own medical treatment"

"Rs. 60 ($1.33) for own fever"

"Rs 400 ($8.88) for son's fever"

"Rs. 100 ($2.22) for son's fever"

"Rs. 80 ($1.77) for own visit to hospital during pregnancy"

"Rs. 80 ($1.77) for purchase of medicines"

"Rs. 200 ($4.44) to cover the shortfall needed to buy a bull"

They were disappointed that despite saving in the group, the NGO had not given them a group loan. One son complained: *"My mother gave Rs. 130 ($2.88) as savings in the group already, but she has not yet got a loan. Why should she continue to contribute more savings?"*

The NGO expected women to save and learn the discipline of taking and repaying loans before they 'qualified' for the NGO loans. These women lived in a mosquito infested village where malaria was rampant and most group members were landless, with only agricultural labour to depend on. They needed small loans, first to meet their consumption needs, and only as a next step, for small income generating activities. The difference in understanding their situation and need for money created a situation where the NGO and women were not able to meet mutual expectations.

In another group, members had regular savings and took loans from savings, but emphatically stated that they would not like NGO loans, because the interest rate of 2% per month was too high and inconvenient to repay in equal monthly instalments spread over a year. They claimed that they could get loans at that interest rate even from local sources, and even gave details of loans they claim to have actually taken.

Table 2-5: Debts of Women SHG Members in Orissa

No. of Members	Loan in Rs.	Loan in $	Purpose	Source, repayment
1	2,000	44.44	Agriculture	Coop. Society
2	2,50,000	5,556	Truck, medical expenses	40,000 returned, local sources
3	3,000	66.66	Agriculture	Coop. Society
4	20,000	444	Agriculture	Coop. Society
5	2,00,000	4,444	Daughter's marriage	Local sources
6	30,000	667	Death ceremonies	Local sources
7	1,00,000	2,223	Daughter's marriage, housing	Local sources
8	2,00,000	4,444	Marriage of children	Local sources
9	6,000	133	Agriculture	Local sources
10	40,000	889	Agriculture	Bank
11	20,000	444	Agriculture, medical expenses	Coop. Society, Local sources
12	20,000	444	Agriculture	Local sources
13	40,000	889	Agriculture	Coop. Society, Local sources
14	22,000	489	Agriculture	Coop. Society, Local sources
15	10,000	222	Daughter's marriage	Local sources
16	60,000	1,333	Daughter's marriage, housing	Coop. Society, Local sources
17	30,000	667	Agriculture, daughter's marriage	Bank, Local sources
Total	10,53,000	23,400	**Note**: All loans from cooperative societies were at 6% per annum, from bank at 6 to 8% per annum and from local sources and NGO at 24% per annum	

These women explained that the NGO did not offer them money to meet their social needs, e.g. marriages and death ceremonies, nor did they offer the size of loans needed. They could get loans according to their needs in the village, at the same cost, and could repay it in a lump sum or in instalments spread over longer periods. They did not wish to take loans from the NGO, and would not deposit their savings with the NGO. This example also highlights a mismatch in the perspectives of the users and suppliers of loans, about the sizes, purposes and terms at which loans are dispersed.

Divergence between 'production' and 'consumption' loans (Premchander, 2003a) is summarised in Table 2-6.

Table 2-6: Divergence between Theory and Practice: Purpose of Loans

Topic	Theory of Microfinance	Practice of Microfinance
Supply perspective	Productive loan is less risky	Only production loans permitted
Demand perspective or women's perspectives	Poorer people need consumption loans	Productive loans too small; therefore used for consumption

Several observers pointed that poor use savings or credit for consumption, as an integral part of livelihoods strategy. The poorer the target group, the more the emphasis that needs to be placed on financial services contributing to consumption stabilisation (Marr, 1999; Pitt and Khandker, 2004). Empirical research shows that MFIs expect their loans to be used immediately for certain purposes, usually productive investments that yield additional incomes out of which repayments can be made (Johnson and Rogaly, 1997). The attitude of MFIs is explained in terms of the fear that if loans were used for consumption purposes, they were less likely to be repaid. The small size of loans made productive use difficult so they were used for consumption needs. Women also preferred multipurpose rather than production-only loans (UNDP, 1997). Certain studies observe differences between supplier and user perspectives. "If the definition of productive purposes is limited only to income generating activities, then clients who may want access to loans for socially productive purposes such as improving their education or health are likely to be excluded" (FAO, 2002: 49). Further, where MFIs provide loans only for 'income generating' productive purposes, poor clients may then propose bogus 'productive activities' as a front for accessing loans (Sampark, 2000; FAO, 2002). While models recognise that MFI perspectives and poor people's needs differ, this is not always realised. Impact assessment studies tend to capture increases in loan size (assuming that funds are employed in micro enterprises) and use increased participation in borrowing and fund use as a measure of impact. This perspective is limited to 'outputs' and effects, and often does not track long-term impact of use of money for different purposes. In order to reconcile the differences in local and external perspectives, this research therefore examines the purposes for which women take loans, and the reasons why different types of loans are used for different purposes.

Interest Rates

There are opposing views about the cost of money. One believes that borrowers are more sensitive to the availability and convenience of taking credit than to the interest rate (Christen, 1989; Harper, 1998). This implies that interest rates should be set to cover costs of providing financial services (Berger, 1989) and, as it is assumed that people invest in productive activities, the expectation is that they can also afford to pay high interest rates (Harper, 1998). Another perspective is that although interest rates should cover costs, NGOs do not want to be seen as 'exploitative moneylenders', so interest is a political issue (Johnson and Rogaly, 1997; Fernandez, 2005). Though evidence is limited, some impact studies show that high interest rates affected repayments adversely (CETZAM, 1999; Fernandez, 2003). While proponents of commercial microfinance perceive high interest rates as necessary, impact studies show that clients prefer low rates of interest.

The thesis examines the reasons whether and why women use loans of varying costs, and the repayment ethic related to different loan products.

Amounts and Sources of Loans

MFIs tend to offer small loans in the beginning, increasing the amounts in subsequent loans (FWWB, 1997; Sampark, 2000). Loan sizes are useful indicators of poverty and the risk-taking ability of microfinance clients (Matin, 1998). The financial perspective prefers small loans as a measure of risk coverage. On the other hand, evidence shows that small loans were not appropriate for productive use (UNDP, 1997; CETZAM, 1999; Sampark, 2003).

Models recognise that the source of funds determines the terms of the loan, which can then have a variable impact. Those facing shortages may have only their employers and local moneylenders as sources of credit. The employer may agree to give credit only on the promise of work at lower than market wage rates. Such arrangements can maintain and exacerbate inequalities in power and position. By contrast, user-owned funds may be more supportive and less exploitative, even though they may widen inequalities between users and non-users of credit. Hence, loan products need to be analysed for suitability to the poor and designed especially to meet their needs (Dunford, 1998; Mosley, 2000). However, impact studies may not differentiate between impact of loans according to the different sources or terms on which loans have been given. This research therefore examines the links between the different characteristics of loans (sources, amount, purpose, cost, and repayment terms) and their repayment and impact.

Poverty Reduction and MFI Sustainability

The debates about provision of financial services question both outreach and impact of microfinance on poverty reduction. While repayment rates attract banks to extend credit to women, actual outreach to the poor is not known (Conroy et al, 1998). The lack of attention to the poor in impact studies has been explained away by the their being remote, 'risk averse' and heterogeneous, and therefore difficult to study (Hulme and Mosley, 1996; Remeneyi, 1997).

One analysis of the size of loans shows that the typical client of subsidised programmes with a clear focus on poverty alleviation had a loan balance of Rs. 4,500 ($100). By contrast, the typical borrower from financially self-sufficient programmes had an average loan balance of Rs. 19,350 ($430) and even higher loan amounts (Morduch, 1999). Yet another factor is peer monitoring, whereby groups may reject the poorest as members (Montgomery, 1996; Tankha, 1999), as this may increase the risk of non-payment and reduce group creditworthiness. It is found that microfinance enabled the poor to cope better with seasonal income fluctuations (Montgomery, 1996; Guerin, 2006). Such microfinance is increasingly viewed as providing income protection rather than promotion (Dreze and Sen, 1989). There is recognition that microfinance programmes, particularly those aiming for financial sustainability, find it difficult to identify, reach and meet the needs of the poor, especially in remote areas, and therefore also have a relatively low impact on the incomes of the poor (Dunford, 1998; Siebel and Torres, 1999; Marr, 1999). Further, the development of successful enterprises or of financially sustainable MFIs on the one hand, and improving incomes of the very poor on the other, can conflict (Hulme and Mosley, 1996; Johnson and Rogaly, 1997; Mahajan, 2005). However, some maintain that there is little evidence that the poor are left behind as loan sizes grow (Christen, 2000) and that sustainable microfinance organisations are able to reach the poor (Aguilar, 1999).

2.4.2. Issues Relating to Groups

An emerging feature of current microfinance practice in India is the introduction of women's SHGs as a medium through which credit is provided. This is a new forum, which did not exist in villages in this form prior to the introduction of microfinance projects. It is therefore useful to understand the role of the SHGs in the delivery and impact of microfinance.

Group Processes

SHGs have cost and risk reduction benefits. As members have better information on the character and creditworthiness of potential borrowers, they shift loan processing and approval tasks to groups, thereby reducing transaction costs (Stiglitz, 1990; Otero and Rhyne, 1994). The expectation about repayment is that, if one member is unable to pay an instalment, others will repay the NGO/MFI, thus creating 'joint liability' (Stiglitz, 1990; Jain, 1996; Seibel, 2000). In practice however, the joint liability characteristic of the group may not occur. Those who do not repay have a 'demonstration' effect, which may lead to increasing non-repayment (Matin, 1998). Members may not force one another to pay, especially if they fear breaking of social ties (Montgomery et al, 1996). There is also concern about the social costs of group processes i.e. constraints to group borrowing and joint liability approaches. These include coercive peer pressure, loss of trust and the likelihood that the poorest and most vulnerable will be excluded or further stigmatised (Marr, 1999; Montgomery, 1996). Banks also judge their credibility by amount of savings pooled, ability to manage these, and solidarity and cohesion among members. The difference in perspectives is also evident here by the finding that women themselves attributed low repayments to drought conditions while external agencies considered it "lack of systems" (Reddy and Prakash, 2003). Attention has also been drawn towards 'disciplining' the poor and bringing them under the 'gaze' of new control and productive mechanisms, and thus isolating them in the Foucauldian sense and using them as 'productive mechanisms', and thus in fact reducing the possibility of their making joint representations (Bhuiyan et al, 2005).

When groups are not seen only as a means of delivering savings and credit services but as a broader strategy for empowerment, collective action is viewed as an important aspect in bringing about change (Johnson and Rogaly, 1997). Otero and Rhyne (1994) view group methodology as having three main features: means of providing financial services, training and technical assistance, and the promotion of organisational and social development. In a context where conventional lenders are seen to neglect poor and minority communities, offer less information and time, charge higher interest rates and deny loans more often than they do to majority communities, and so to maintain social and wealth inequalities (Keister, 2002), access of low income families to financial institutions, and to financial education to promote savings is seen as a way out of the distributional outcomes of financial markets (Beverly & Sherraden, 1999; Keister, 2000b). This theory would envisage a positive role for SHGs, as forums which facilitate such access. In practice, however, doubts have been raised about whether savings and credit groups promoted by outsiders can achieve long-term independence (Rutherford, 2000), thereby cautioning that a forum established through motivation of external agencies may not sustain longer than the external interventions (Hendricks, 2002). Rankin (2006) emphasises that anthropologists (Geertz, 1962; Mintz, 1961) have documented informal credit groups and lending arrangements with a 'cultural' perspective earlier, and argues that the term social 'capital' assigned to such groups is not neutral, but reflects neoliberal economic ideology, which works to 'instrumentalise' women and the poor.

In contrast, there are examples in India from SEWA Bank and CARE, CREDIT project, Ranchi, who view capitalisation of groups as an important indicator of their sustainability (Vyas, 2004; Girija, 2004). They recognise the role of own savings as capital, and collective and profitable financial transactions at the group level in sustaining groups as viable local forums (Rajagopalan, 2004a). The ability of groups to manage finances, however, can be limited, especially where many are illiterate.

Recent studies of SHGs in the State of Andhra Pradesh claim that group members have poor book keeping ability, no leadership rotation, and unsound loan management practices, which put the savings of members at risk (APMAS, 2001; 2003, 2005). Robinson (2001) also observed that groups are liable to collapse when managers are corrupt, members indisciplined, or when collective shock occurs.

Group cohesion breaks down due to indiscretion or member misfortunes (Woolcock, 1999). Grassroots studies in Andhra Pradesh attribute the end of money transactions and dissolution of groups to a fundamental lack of trust (APMAS, 2001). Trust was an important element of the relationship between banks and the poor (Robinson, 2001). The role of national and international NGOs as those who advance values of civil society and democracy is emphasised by Bhagwati (1997). Other studies emphasise role of groups and "recognise that high repayment rates of SHGs is not an inherent structural feature of SHGs but a commitment to group values" (Padhi, 2003: 8). Researchers emphasise the need to go beyond economic reasons to explain the role of groups and processes as embedded in a theory of social relations (Granovetter, 1994; Lyon, 1999), and highlight networks, and norms as factors that enhance social capital through social organisation (Putnam, 1993).

Woolcock (1999) draws attention to the 'how' questions, which examine how "human and material resources are assembled and maintained in the process of trying to attain a goal, exploit an opportunity, or correct a problem" (Woolcock, 1999: 2). This contrasts the 'transactions cost' approach to organisational issues with the alternative sociological approach. The former assumes that needs, demands or problems create their own solutions (Williamson, 1995), while the latter regards all organisations as social accomplishments (Woolcock, 1999). The evaluations of microfinance programmes have been preoccupied with impact assessments, replication and sustainability issues, and theoretical perspectives have not always been informed about organisational issues e.g. "the construction of economic institutions to assist the poor" (Ibid: 3). Woolcock takes a socio-economic perspective and case study approach to examine the failures of group-based microfinance programmes which highlight the importance of how human resources are mobilised, assembled and maintained across four key institutional junctures: replication, a branch in crisis, a group in crisis, and ineffective guarantors and staff. In the case of a group in crisis, women had indebted themselves to the moneylender to pay the Grameen Bank. All this suggests that analyses of microfinance programme impacts have focussed on *why* the programmes work, rather than *how* they work, and that the latter questions are important to future programmes, because they provide not only financial lessons but call for more social sustainability as well (Woolcock, 1999). There are few studies of role of groups and group processes from Indian and external researchers (Hulme and Mosley, 1996; Rao and Hashemi, 1999; Shylendra, 1998; Fernandez, 1994). In general, many impact studies only regard groups as a forum or delivery mechanism without studying their actual processes or the way groups manage money and how social and financial capital can support or contradict each other. In this respect, where the positive impacts of social capital are privileged, this research provides deeper insights into group processes and dynamics, and explores these with respect to potential opportunities and constraints within local economies and social organisation. The full complexities and dynamics of SHGs are not fully captured any more than the distributional impact of groups, or the impact of their placement in local social structures. In therefore studying learning processes in groups, and analysing how women manage savings and loans in groups, this research seeks to understand groups as institutional mechanisms for development interventions.

2.4.3. Livelihoods Contexts and Strategies

There is recognition that the place where people live has a definite implication for the potential of income generating activities and micro enterprise, both in terms of ecological factors and institutions that form the enabling environment (Richardson and Howarth, 2002; Edwards, 1998; Oakley et al, 1998; Schmid, 2003).

Trends towards migration are related both to ecological decline and social relations of dependence and indebtedness (Mosse et al, 2004). There is evidence of the link between the geographical context, e.g. drought-prone areas, and other dimensions of poverty, namely social and economic exclusion, combined with low literacy, numeracy and other skills of employability, resulting in roughly one million Indian households where either parents or the children are engaged in bonded labour (Parr, 2005). The relation of ecological conditions with poverty and strained livelihoods is also emphasised. Poverty studies recognise that poverty and calorie and protein deficiency in India varies across States as well as agro-climatic zones (Jha and Gaiha, 2004; Gaiha, 2000). There are risks including seasonality, unfavourable terms of trade, high volatility of prices of agricultural commodities, distorted credit markets, changes in domestic and international policies, and a high incidence and depth of poverty in rural areas, especially in those dependent largely on agriculture. Agriculture is recognised as the most important sector supporting the rural population, with strong linkages to the inter-state differentials in both growth and poverty reduction (Datt and Ravallion, 1998; Osmani, 2001). However, agriculturally underdeveloped and poorer environments are too hostile to absorb currently offered microfinance for productive investments in agriculture or other economic activities, without preceding improvements in other sectors (Fafchamps, 1997; Jha, 1999; Woolcock, 1999; FAO, 2002; Zeller, 2003b). This is not always reflected in the original design of microfinance programmes that apply a single-product model to all the States in which they operate (Fernandez, 2005; Guerin, 2006).

In tribal regions like Bastar in Chhatisgarh and Lohardaga in Jharkhand, women group members were able to save one or two rupee per week, or five or ten rupees per month. Similarly, in the remote coastal regions of Kerala, women organised by an NGO, were from families of fishermen, and were able to save only Rs. 2 ($0.04) per week. By contrast, in Ranchi, Jharkhand, where lands were fertile and markets of Ranchi town were accessible, the women saved amounts varying from Rs. 10 to 20 ($0.22 to $0.44) per week. The regularity of savings differed widely across groups; some groups, e.g. those in the economically active regions, had regular savings from all members, while others, e.g. those in remote areas and within less monetised economies, stopped savings for a few months during lean periods.

The tribals lived in remote forests, with an average of two to three hours to walk to the closest weekly shandies to buy small provisions like salt, oil, kerosene, onions and potatoes. The weekly sale of minor forest produce came to Rs. 10 ($0.22) per woman, with which she purchased her weekly ration. In Bastar, typically, each tribal woman walked six to eight kilometres from her home, carrying a child on her hip and carefully balancing a basket of minor forest products on her head or hip, and maybe even trying to hold a bamboo umbrella to save her child from a drizzle or rain. This journey was taken on slippery paths, usually with two or three streams to cross, with at least knee or waist deep water. Given that the weekly transactions were about Rs. 5 ($0.11) or Rs. 10 ($0.22), women rarely saw even a note of Rs. 50 ($1.11), and few had seen a note of Rs. 100 ($2.22). When they began to save money, bringing Rs. 1 or 2 ($ 0.02 to $0.04) to the group meetings, they did not know who should keep the money in between meetings. When savings reached Rs. 100 or 200 ($2.22 or $4.44), they usually divided it between two or three women for safekeeping. Locally women took credit in kind, paying back in kind, with interest. The money equivalence was never established. The economy was highly non-monetised in this region. They could have used credit, but it could be a long-drawn process, requiring increased awareness about the creation of concept of credit, and then to provide small amounts of credit for existing micro-businesses that women were already engaged in. It was more important to create the confidence and skills to bargain in the weekly markets, for a fair price for the forest produce they brought, to prevent exploitation by traders. Credit could have been better utilised if the NGOs also facilitated collective action (in the form of cooperatives, or federations, etc.), for trading in non-timber forest produce, with the government agencies or external markets. Other ideas that suited the tribal context included grain banks, joint purchase and sale of products, and other similar collective economic activities, which could help women get higher bargaining power and higher returns for the goods they traded in. Other interventions that would have worked related to raising agricultural productivity of the small pieces of land that the tribals cultivated.

Set against this, the credit project of the intervening agency was designed to support the tribals through microfinance. It was a replication of another project in Jharkhand and the assumptions about the latter had been applied in the tribal regions of Bastar, and expected women to take in multiples of $100 (Rs. 4,400) as loans, and the NGO to make credit operations sustainable in three years. Those assumptions were unrealistic and needed reformulation. The role of money in the local economy was insignificant. Most transactions in the project area were non-monetary, excepting those that took place in weekly markets, and for some large financial outflows. The quality of life in the project area was not linked directly to money alone. The NGO partners saw this dichotomy and resisted a project that would demand financial sustainability of credit operations, in a context where the feasibility of rooting a cash-based credit system was suspect. The supporting agency was, however, wary of expressing this strongly, as it feared losing the grant for the project, and continued to project compatibility between project objectives and tribal women's needs instead. This demonstrates self- perpetuating policy in action (Mosse, 2005) and pointed to the need to explore the meaning and use of money with reference to a specific livelihoods context.

The socio-cultural embeddedness of poverty and vulnerability is recognised in development literature, which attributes lack of power to social placement, gender, age, caste, ethnicity or wealth (Johnson and Rogaly, 1997; Narayan et al, 2000). The attitude towards 'low' castes is negative, and women are denied entitlements of equal concern, respect, status and libertarian rights in general, described as constituting 'negative freedom' for these women (Majumdar and Subramaniam, 2004).

Studies on the Dalit movement in Karnataka provide some evidence of caste, class and gender struggle (Batliwala, 2001; 2003). The community is not one homogenous whole but formed of different groups, some of which experience 'social exclusion' in the economic, social, cultural and religious practices, where external agencies (government/NGOs) are unable to make large-scale entry (de Haan, 1999). Other studies also emphasise that because of the trans-disciplinary and political character of the caste and gender struggle, it has not spread among NGOs, who have made the opposite move: from activists to contractors (Townsend et al, 2003).

There is suspected corruption among government schemes, and collusion between bank and government officers (Sinha, 2001; Satyamurti and Haokip, 2002). In this scenario, villagers expect NGOs and community leaders to access external resources (Karanth et al, 2000). In addition to the ecological issues that influence livelihoods, geographical contexts encompass other enabling factors that protect or expose households to vulnerability: socio/economic, or political. Similarly, the institutional context, encompassing structures and processes of government, private sector, NGOs and other civil society organisations, create possible livelihood options or disable people from accessing them (Richardson and Howarth, 2002). Thus, the enabling environment or the contexts in which livelihoods are located has an important bearing on the way microfinance is used and the resulting benefit or harm.

Of the impact studies reviewed, none have considered the livelihoods context in which the microfinance programme was situated, except for Hulme and Mosley (1996). While the overall impacts of microfinance programmes were positive, questions were raised about whether gender issues were actually influential.

This research considers how the 'marginalised' live within their society and how their basic human rights were infringed upon in the current context. The institutional relevance of different actors is explored in the thesis. The research examines how relations among different actors influence the supply of money and shape their financial behaviour. This research recognises the context-embeddedness of poverty, and vulnerabilities arising from geographical, socio-cultural and institutional contexts in which they live. This called for emphasising actor-oriented methodologies, which assign priority to agency and embed actions in wider social relations and structural settings (Lyon, 1999). "The interconnectedness of gender, class, ethnicity and nationality" (Fernando, 2006b: 175) also called for an emphasis on gendered livelihoods context, developed further in the next chapter.

2.4.4. Multiple Meanings of Money

The different uses of money from different sources is internalised differently by women. For instance women used their 'own' savings differently from the loan provided by the external agencies and they assigned different meanings to the two sources. They experience greater freedom in using their own money for their own needs and preferences. NGO/MFIs on other hand, perceive uses differently from women, and apply concepts of 'efficiency', which provide a different basis of thinking as compared to that of women. The tensions between development thinking and financial systems thinking draw attention to a conflicting pecuniary interest, which could be the underlying reason for the differential meaning of money and the language used by the SHGs and the intervening NGO/MFI. The above instances from the field visits show how the perspectives were different, as regards the perception and use of savings, use of money, and how women's groups perceive and utilise money. The divergence arises not only from the meaning of money, but also from the purpose that microfinance is to serve, for the suppliers and the users, although there are certain commonalities between external and local perspectives.

In analysing use of money given by charities, Zelizer (1994) showed how the institutional notion of "proper" utilisation of money was quite different from that of those who received the charity money. This phenomenon also appears in the perspectives of agencies who use money as a development tool, and therefore a loan has a different meaning for the suppliers of microfinance. At the same time, the women who receive it, regard it differently, thereby giving it a different meaning and use. This research explores differential meanings, by analysing uses of money by the different actor groups, and the different rationale that forms the basis of such use.

2.5. Implications for Further Research

Many project evaluations are not fully accessible. Impact studies available in the public domain provide limited information about their objectives, methodology, and assumptions. They mostly present findings related to financial and empowerment indicators which do not provide sufficient detail for understanding the methodology employed.

This reveals important divergences between 'theory' and 'practice', and the difference in local and external perspectives by which microfinance was delivered and assessed. These differences include the role of savings and credit, the size, purpose, costs and sources of savings and loans, and the implications of the different ways in which this money is delivered with the intention to reduce poverty. All these topics are subsumed under the theme of 'use of money'. Women are the main targets of microfinance services and SHGs are the main means of delivery. These groups have been viewed as mechanisms of delivery on the one hand, and as agents of empowerment on the other. Economic studies highlight the importance of frameworks of trust involving information on the reputation of others, establishment of long-term relationships and networks based on customer friendship and intermediaries (Lyon, 1999). However, microfinance impact studies do not contain sufficient emphasis on trust, nor do they analyse the processes by which groups manage microfinance and the ensuing impact of these processes. There is a need for analysis of SHGs as local institutions through which not only microfinance services are delivered, but also as institutions which have their own character and processes that are relevant to understanding the impact of microfinance. Traditional impact analysis concentrates on the use of money, whereas more insight into group processes, like leadership or group learning processes, is needed for a deeper understanding of how actors actually deal with finance. Further, microfinance projects are situated in specific geographical/regional contexts, which have an important bearing on the economic development of that region. The socio-cultural and institutional structures and processes also determine the space within which different groups of people in the community can realise their livelihoods aspirations (Sen, 1981; Dreze and Sen, 1985). Economic studies identify people living in remote, resource poor regions with low infrastructure and belonging to scheduled castes as those for whom poverty is almost a permanent condition (Gaiha, 2000). The identification of such groups is considered important, as they are likely to suffer the most in a situation of a community-wide shock (Gaiha and Imai, 2003). Once more, microfinance impact studies do not give sufficient attention to the livelihoods context and its link with poor and marginalised people.

Hence, the three themes that emerged as important in understanding the perspectives of the users of money are:

- Women's livelihoods
- Use of resources (Money)
- Groups (Learning Processes)

The research gaps identified from the divergence between field observation and discourse analysis (a wide ranging review of microfinance literature and impact studies, listed in Appendix 2) yield the issues on which this thesis is focussed. These are organised into three broad themes, as illustrated in Table 2-7 below:

Table 2-7: Critique of Practice of Impact

Critique	Implications For Research
1. Use of Money	Who takes the credit, what amounts, for what purpose, from which source, on what terms and which type of credit women refuse and why
Outreach to poor not tracked	
Impact of savings and credit not differentiated	
Social impacts under-emphasised	
Impact of different financial models not differentiated	The role of savings and the factors influencing the management of savings
Inadequate attention to negative impacts	
Over-emphasis on financial in comparison with other forms of capital	The different sources of loans and their social and financial impacts. The impacts of different types of capital and their interrelationships
2. Groups Inadequate emphasis on the impacts of the forums (like SHGs, banks) through which these money is transferred	Role of groups in management of money and the processes involved. The impact of groups in terms of economic, social, and ecological and at individual, household and community levels
3. Livelihoods Inadequate attention to the livelihoods context in which the money users are situated	Impact in relation to livelihoods context in which micro credit programmes are implemented and situated

Many inconsistencies and differences are a result of the impact being studied from supplier and 'objective' perspectives based on ungrounded assumptions. This resulted in meanings of external agents getting precedence over those of the users of microfinance, namely poor women. It highlighted the need for client-focussed demand perspectives that makes minimal assumptions and tries to map and understand what people do and why. Thus, an actor oriented approach was required that would enable greater participation of local actors, especially poor women. In giving priority to women's perspectives as users of money, this thesis focuses not on looking at impact from the point of view of organisations, at macro or meso level, but on viewing it from women-user's point of view, at the micro level. A longitudinal perspective has helped to gain an in-depth understanding of when and how poor women in rural India utilise microfinance for alleviating their poverty.

Chapter 3

Multi Perspective Impact Assessment

There is a need to give priority to actors' own perspectives in order to move away from a supply-orientated approach towards understanding the actual users of money. This requires an interpretive research approach that would give insights into the meanings people attach to different phenomena. In studying how microfinance is delivered through women's SHGs, this research has prioritised gender and development issues, and used actor orientation as its theoretical underpinning, using three different livelihoods frameworks to gain context-embedded perspectives. It is an inter disciplinary endeavour, drawing from disciplines as diverse as banking, finance, economics, management, sociology and anthropology which have a large reservoir of development literature.

3.1 Research Paradigm

The world-view of the researcher (ontology) and understanding of how knowledge is generated (epistemology) are informed by theoretical perspectives, which in turn influence choice of methodology (Leermakers, 2003). This approach assumes that the world is in part a construction and an interpretation and that meanings are context dependent (Wilber, 2000; Flick, 2003). This implies some acceptance of subjectivity and relativism, which is different from radical constructivist belief that there is no possibility of reflection of external reality (Heylighen, 2000). This research takes the critical perspective, that knowledge production itself can be associated with power and oppression (Yueng, 1997; Patomäki and Wight, 2000).

The idea of 'objectivism' as an appealing framework for determining the nature of rationality, knowledge, truth, reality, goodness or rightness (Bernstein, 1983), was challenged by Thomas Kuhn (1970). Relativists asserted that, as judgements are necessarily based in subjective epistemological and moral positions, no one position could claim privilege over another truth or morality. Subjectivists denied the existence of any 'objective reality' outside of the agents' perceptions and constructions of it, while others emphasised the social construction of 'reality' (Williams, 2004).

Realists sought to create a middle ground by accepting that the world is socially constructed but once it comes into being, then it exists as an objective reality independent of any individual conception of it. Bordieu (1977) proposed that a dialectic relationship existed between subjective and objective factors in the practice of construction of social reality (Williams, 2004). 'Interpretivism' accepts that any socio-scientific account of social life is restricted in terms of time and space (Blaikie, 2004), as access to the past is always mediated by the present, and that story-telling, involving 'emplotment', helps the actor create an identity which becomes stable over time, (Lawler, 2002), so that identities are created by the narratives people use to explain and understand their lives (Spivak, 1998).

In this research, reality is considered multi-layered, with physical, emotional, mental and spiritual dimensions (Wilber, 2000). This affirms an interpretive methodology, which acknowledges that specialist knowledge production occurs in the context of diverse epistemic cultures (Giddens, 1991; Knorr Cetina, 1999). Culture, in turn, is understood as a "historically transmitted pattern of meanings embodied in symbols...by means of which men communicate, perpetuate and develop their knowledge about and attitude towards life" (Geertz, 1973: 89). This calls for reflexivity, acknowledging the researcher's role in constituting the narrative text, and also entails self-questioning, so it may lead to social learning and social feedback, yet still be politically enabling (Pieterse, 2001; Kleinman, 2000; Flyvbjerg, 2004). Reflexivity enables a dialectic approach especially where local actors have diverging interpretations (Van Manen, 1979). This research uses a methodology that "strives to unmask hegemony and address oppressive forces" (Crotty, 1998: 12), and is alert to the same tendency in the research process itself (Thomas, 2004).

Critical discourse focuses on how language figures in the constitution and reproduction of social relations of power, domination and exploitation, and how social constructs tend to acquire intransitive properties that make them resistant to the internalisation of new discourses (Fairclough, 2004). This thesis pays attention to the constitutive role of language in advancing social and political debates in the public sphere, through prevailing paradigms. In the social sciences, the term paradigm is often used to denote a coherent and consistent set of ideas about development, and especially rural development practice. This led to researchers' "preference for growth over people, for increase in income over distribution" (Chambers, 1986: 24). The relevance of this former paradigm was questioned due to the rising scale of deprivation among the rural poor. A new paradigm then emerged emphasising the following aspects:

a. **Normative**, meaning that development should be people centred;
b. **Conceptual,** where development is not progress in a single direction, but a process of continuous adaptation and problem solving use of opportunities;
c. **Empirical,** recognising the diversity of physical conditions, ecological change, knowledge of poor people and their capacity for self-reliant organisation; and
d. **Practical,** emphasising decmuentralisation of resources and empowerment (Ibid).

This encouraged new interdisciplinary research to be more user-oriented and invited participation directly from the poor. These paradigm shifts took place in all aspects of development work.[1]

Choices of approach need to recognise how gender is an important issue from both the supply and demand perspectives of microfinance. Women are viewed positively as good repayers and good contributors to family welfare, but are also treated as silent, and their voices, views, and needs are thereby socially marginalised (Mayoux, 1997; Cheston and Kuhn, 2002; Johnson, 2003). It was imperative to develop a new approach that would acknowledge their voices, while also recognising that women are not homogeneous, and often speak with different voices (Underhill-Sem, 2001; Pini, 2003). An important feature of new participatory approaches has been the scope they provided for recognition of the differences between women and men's roles in the production process. When assumed homogeneity of farm households was deconstructed, space was also created for 'intra-household dynamics'. As the belief that more gender issues should be voiced then gained ground, their importance for

1. Paradigm shifts related to microfinance practice and impact assessments are discussed in Chapter 2.

rural development was further emphasised. With more consultation with disadvantaged groups, the inclusion of women's perspectives gained acceptance (Premchander and Mueller, 2006). I have applied principles of feminist research (detailed in section 3.5). My position is post-colonial in that it questions the hegemony of western knowledge and models and considers the experience in India and Asia as valid and relevant in its own right.

This research is also a qualitative study seeking to explore the meaning of money, by analysing the social relationships created when women use money and explain why they use it as they do, 'earmarking' money from different sources. It is based on the premise that "human experience is the main epistemological basis for qualitative research" (Van Manen, 2004: 579). Human activity was seen as 'text', as a collection of symbols expressing layers of meaning, and interpretations of meaning could be made both by the social actors and by the researcher (Dilthey, 1911/1977, cited in Miles and Huberman, 1994). "Qualitative data, with their emphasis on 'lived experience' are fundamentally well suited for locating the meanings people place on events, processes and structures of their lives… and for connecting these meanings to the *social world* around them" (Miles and Huberman, 1994: 10). The belief that qualitative and quantitative inquiry are so different because they are based on different paradigms has led to a dichotomous presentation (Yin, 1994). This is contested by those who argue that the linkage between paradigm and method are overstated, and that combined use of quantitative and qualitative methods enhances both (Filstead, 1979; Campbell, 1979; Cooke and Rieckhardt, 1979; Alevesson and Deetz, 2000).

To sum up, this research adopts a reflexive and interpretive approach to qualitative inquiry, which emphasises:

1. Value reflection: asks whether the researcher is advantaged over the participants;
2. Subjective voice: asks whether the voice of subjects is heard, legitimised or obliterated by research procedures;

3. Collaborative participation: asks whether subjects share in the generation of knowledge and the benefits of the research outcomes;
4. Multiple standpoints: asks whether many different viewpoints and values are represented; and
5. Representational creativity: asks whether the representation and communication of research can be in forms other than formal writing (Gergen, 2004).

It therefore prefers discourse analysis, narrative inquiry and participatory ethnography. As narratives are "social products produced by people within the context of specific social, historical and cultural locations", they are not "transparent carriers of that experience", but "interpretive devices", where "people produce their own stories", in a "social world that is itself storied" (Lawler, 2002: 242). This highlights the issues of identity and a "radical questioning of the conventional binarisims of sociology: structure and agency, individual and society, self and other" (Ibid: 245). Thus attention is paid to the relationships between the individual and collective narratives from which they draw, and the two are not necessarily harmonious.

The key to understanding rural livelihoods here lies not in the documenting of *what* actions people take but in their own interpretation of *why* they acted thus. Such deep probing requires joint exploration with the actors themselves using a multi-perspective, client-centred approach, here achieved by the use of three different research frameworks. Thus this research is closest to the abductive research strategy outlined by Blaikie (2000). This strategy reveals the concepts and meanings contained in the actors' own accounts of the activities related to the research problem. These accounts are then redescribed in social scientific terms, providing an understanding of the phenomena usable for more elaborate theorising, and uses interpretivism to answer both the 'what' and the 'why' questions (Blaikie, 2004).

This is also a longitudinal research, i.e. data collected at different time periods, permitting an analysis that involves measurement and analysis of change within the same cases, and using the changes women expressed in the interpretive analysis to place money as one of the many resources that women access, use and manage. This longitudinal study also involved creating 'retrospective' data, as when women recalled their loan histories (Menard, 2004).

3.2 Actor Network Theories and Livelihoods Frameworks

Historically, the mediating discourse between theory and practice was led by the action research approach propounded by Lewin, but as other experiments introduced a new rationality into the workplace, this did not link back clearly with earlier theory, thereby calling for new strategies (Gustavsen, 2001). Habermas (1984) argued that the relationship between theory and practice was not direct, but rather discursive, involving a discourse on theory, on practice, and a mediating discourse about how to link them, thus developing a theory of 'communicative action'. This went beyond any single organisation to the society, as the 'mediating discourse' involved social relationships conducted through actor networks, which varied according to their number, complexity and quality of relationships (Gustavsen, 2001). An actor-oriented perspective therefore challenges the conventional understanding of 'micro' and 'macro' levels, believing that they cannot be ontologically differentiated, and are "grounded in the meanings accorded them through the on-going life experiences and dilemmas of men and women" (Long and Long, 1992: 6-7). This calls for a discussion of actor network theories and related frameworks that facilitate insights into livelihoods.

3.2.1 Actor Network Theories

The need to study actors and their groups necessitates an understanding of actor network theory. Actor-network theory (ANT) is concerned with the processes by which scientific disputes become closed, ideas accepted, and different tools and methods adopted (Van House, 1999; Hanseth, 1999). This theory evolved from the work of Callon (Bardini, 1997).

Akin to actor networks, network analysis claims roots in anthropology, sociology, psychology and applied mathematics. It was developed from Moreno's work and sociometry and sophisticated mathematical models were developed later. Radcliffe-Brown used it to understand migration from tribal villages, and Levi-Strauss introduced formal notions of kinship and algebraic equations, while Rapoport proposed an elaborate model of social ties and flow of relations through nodes. In the 1960s and 1970s, concepts like transitivity, structural equivalence, the strength of weak ties, and centrality were developed by Davis, Leinhardt, Holland, White, Granovetter and Freeman (Wasserman and Pattison, 2004: 720).

Network analysis conceives of social structures in relational terms. Its most fundamental construct is that of 'social network', using a set of 'social actors' as building blocks, who can be groups, organisations or individuals. The primary assumption is that social actors are interdependent, connected by a set of 'relational ties', and that the ties among them have important consequences for each social actor, as well as for the larger social grouping that they comprise (Ibid). Resulting data sets can be multi-dimensional or longitudinal and often include information about such 'actor attributes' as gender, ethnicity, attitudes and beliefs. The basic premise of the social network paradigm is that knowledge about the structure of social relationships enriches explanations based on knowledge of the individual actors alone. The paradigm provides concepts, theories and methods to investigate how informal organisational structures intersect with formal bureaucratic structures, and the evolving sets of knowledge and beliefs (Ibid).

Miettinen (1997) argues that the modern constitution or worldview uses one-dimensional language operating in the framework of opposite poles of nature (realism) and culture (social constructionism), and this dualism needs to be resolved to explain networks. In addition:

> "All forms of external intervention necessarily enter the life worlds of existing individuals and social groups affected, and in this way they are mediated and transformed by the same actors and structures. Social actors are viewed as active participants who process information and strategise in their dealings with various local actors as well as with outside institutions and personnel.

> The precise paths of change and their significance for those involved cannot be imposed from outside... The different patterns of social organisation that emerge result from the interactions, negotiations and social struggles that take place between several kinds of actors." (Long and Long, 1992: 13)

This need to understand the experiences of the 'beneficiaries' of development interventions raises the question of the appropriate means by which to 'capture' this knowledge. An important change in the field of development thinking has been the realisation that local actors need to be consulted before any programme that seeks to positively impact their lives can actually do so. This willingness to consult with the 'marginalised' has also increased awareness about the contexts in which these groups live.

Recent elaborations of actor-oriented perspectives have also incorporated a human rights perspective, which argues that as actor perspectives are shaped by their actual struggles, and are informed by their own understanding of their needs and priorities, they need to acknowledge and challenge hierarchical relationships in society from the point of view of the subordinated (Nyambu-Musembi, 2005). The normative claim transcends the radical cultural relativism which would explain human rights violation in terms of culture, and therefore deny the very agency that fuller rights and citizenship should enable (Kabeer, 2002). Systematic enquiry of development organisations and programmes thus needs to ask how the rights based approach would "do development" work differently (Kabeer, 2005: 44).

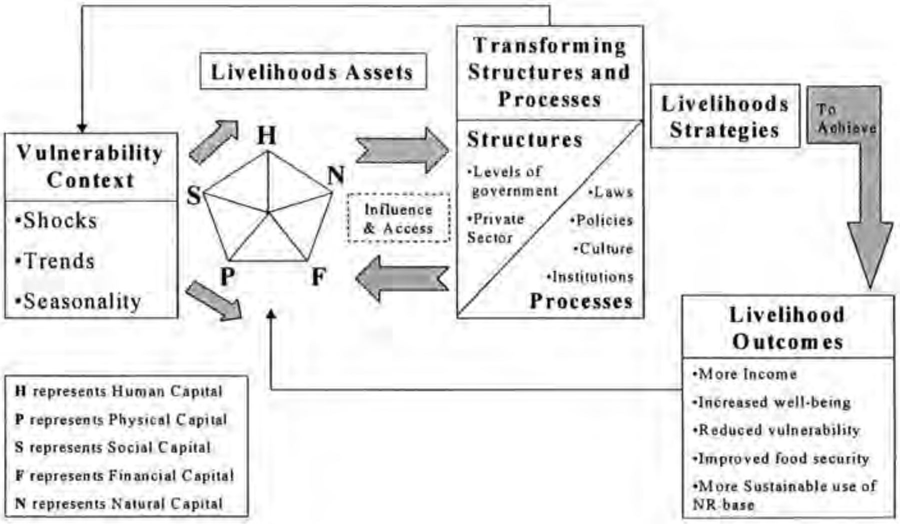
One indication of attempts to study livelihoods from people's own perspectives is the development of many frameworks for studying livelihoods systems since the 1990s. Livelihood systems cannot be viewed as the simple sum-total of their various components - economic, social, and cultural. Rather, they need to be viewed as multidimensional 'wholes', which include all the forces and constraints that determine group life in its entirety (Högger, 2003). The selection of the three frameworks arose from concern for a holistic understanding of rural livelihoods. These three frameworks are the result of the joint action taken by researchers and development activists at work. The Sustainable Livelihoods Framework (SLF) originated from the commitment of the Department of International Development (DFID), UK, to support policies and actions that promote sustainable livelihoods with the overall aim of poverty elimination. Wiesmann developed the Actor Oriented Perspectives (AOP) framework in response to the development crisis in South Africa caused by extreme poverty (Wiesmann, 1998). Hogger (2005) conceived the Nine Square *Mandala,* as a tool to undertake holistic research on rural livelihood systems in India. SLF provided an overall link between the situations of the actors, outlined in terms of assets. When combined with an external set of structures and systems, these links determine livelihood strategies and their outcomes.

3.2.2 Sustainable Livelihoods Framework

A study of any intervention's impact on people's livelihoods needs to recognise the broader context in which actors develop their livelihood strategies. The Sustainable Livelihoods approach defines secure livelihoods as the existence of sufficient stocks and flows of food and cash to meet basic needs (Chambers and Conway, 1992). It was developed through DFID's field-based work at both the macro and household level aspect of livelihoods. It has since been utilised in planning several development projects and for assessing development impacts (Farrington et al, 1999). Its key assumptions are that actors pursue a range of different livelihood outcomes (e.g. health, income, reduced vulnerability) by drawing on a range of assets as they pursue a variety of activities. It assumes that both choice of the activities, and also reinvestment in assets, are determined by the actors' own preferences and priorities, while recognising the different vulnerabilities they face, including shocks (e.g. drought), wider trends (e.g. resource stocks), and further seasonal variations.

The five types of capital assets identified are: financial, human, natural, physical and social. These 'building blocks' for livelihoods are considered to have limited substitutability for each other. Improved livelihood outcomes are conceptualised in terms of: increased income, increased well being, reduced vulnerability, improved food security and/or more sustainable use of the natural resource base of an area. A diagrammatic presentation is given in Figure 3-1.

Figure 3-1: Sustainable Livelihoods Framework



Source: Carney, (1998)

However, this framework did not explain the perspectives of the actors and why they followed the strategies they did, which was aided by the AOP framework.

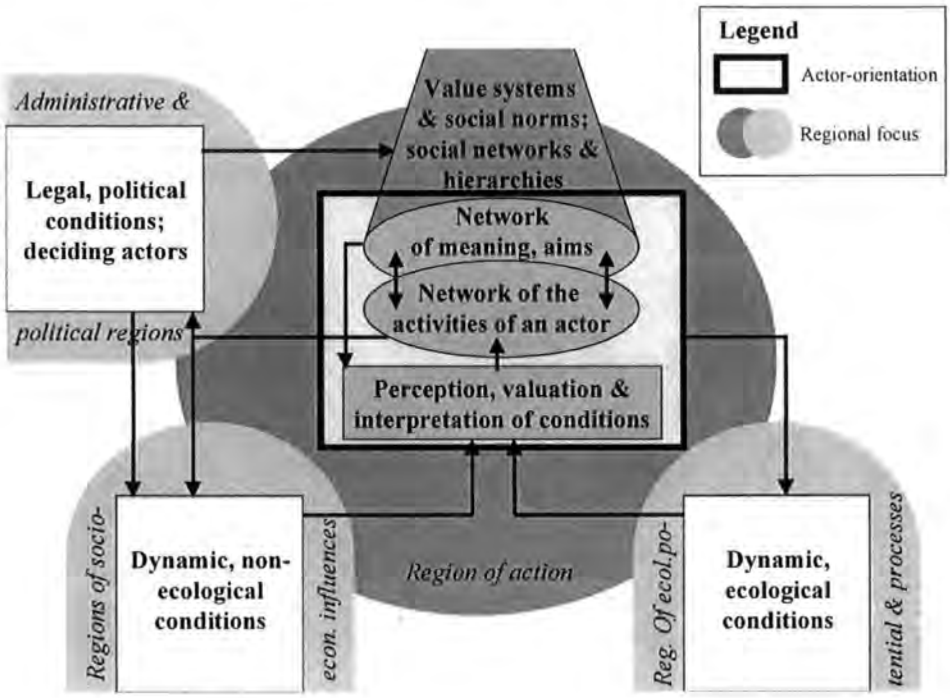
3.2.3 Actor Oriented Perspectives Framework

The AOP framework has its origins in peasant and actor network theories, and uses rational economic theory as an entry point. It assumes that actors always try to do something that fulfils their livelihoods aims (Wiesmann, 1998). This approach perceives actors as:

> "Actors in an arena of interdependent and interacting individuals or categories of actors. They interpret specific features of the ecosystem and the socio-economic and socio-cultural systems, and they act competently and rationally on the basis of their specific knowledge, as a function of their values, motives and expectations of utility. An understanding of regional dynamics and potential conflicts in rural development and environmental care must consequently be approached in connection with divergent strategies, perceptions and assessments of the respective individuals and collectives" (Kuenzi et al, 1998: 54).

Figure 3-2 depicts this framework:

Figure 3-2: Actor Oriented Perspectives Framework



Source: Wiesmann, (1998)

The framework is based on a theory of action, and is heuristic in that it permits formulation of new questions, hypotheses and meaningful indicators. It is also goal oriented in addressing the political goals of societies and actors, and ethical in that it respects the societies and contexts to which it is applied. The framework was originally developed and adapted in different contexts, e.g., African smallholder regions, Madagascar and Ethiopia, to give insights into sustainability from the perspectives of both local population and researchers. It highlighted the need for reconciling ethnographical and geographical perspectives, by looking for negotiation spaces wherein people have liberty of action (Ludi, 2004; Messerli, 2004). In this research, AOP framework enabled consideration of women's SHGs as groups of actors using local resources.

The AOP framework lies alongside the SLF, prioritizes the actors themselves, and also provides conceptual links with social, ecological and political contexts. It goes beyond SLF in conceptualising actor groups as units that devise strategies together. However action-theory frameworks can also neglect:

> "The orientations and preferences that inform whole sequences of action, the structures built from combinations of such sequences, the ways in which the actors themselves are configured. The action theory framework offers little purchase for establishing the patterns on which various actions converge and which they initiate and dynamically extend. It shines the analytical torch upon the strategies and interests and interactive accomplishments of individuals, and sometimes groups. While this yields important insights into how agents generate and negotiate certain outcomes, it offers no dividends on the machineries of knowing in which these agents play a part." (Knorr Cetina, 1999: 9)

Although this framework recognises the social and ethical dimension of action it can leave the emotional or affective (psychological) dimensions relatively unexplored.

3.2.4 Nine Square *Mandala* Framework

The above two frameworks – SLF and AOP – assume bounded rationality where human beings are often driven by self-interest, a premise that is questioned by those who cite examples of the role of non-economic motivation in development and human action (Raju et al, 2000). This underlines the need to recognise 'non-rational behaviour', or behaviour not motivated exclusively by material self-interest, here made possible through the use of the Nine Square *Mandala*. The aim was to use the different research tools available with greater sensitivity so as to understand the 'inner realities' of the system. It combines a rational approach with an intuitive sensing of the situation that increases understanding of rural livelihood systems (Baumgartner and Högger, 2004). The *Mandala* is based on a home, which is used as a metaphor to study the broader, more abstract notion of a livelihood system. It may employ different symbolisms in different cultures but is like a lens with nine-focal points through which the actualities become more distinctly visible. The *Mandala* conceptualises livelihoods in nine squares, each denoting one aspect, as depicted in Figure 3-3.

Figure 3-3: RLS Nine Square *Mandala* Framework

9. Individual Orientation	8. Family Orientation	7. Collective Orientation
• Visions • Hopes • Aspirations • Fears • Self image/ respect • 'Gurus', models	• Ancestors • Caste, social status • Aspirations to leadership, education, jobs • Aspiration to power, wealth, social mobility	• Subsistence agriculture • Food security • Religion, traditions • Common Property Resources, state laws • World views, school • Capitalistic values, city new prosperity
6. Inner Human Space	**5. Family Space**	**4. Socio-Economic Space**
• Integrity, identity • Awareness • Selfishness, compassion • Responsibility • Affection • Curiosity, courage	• Gender relations • Nutrition distribution • Health • Family planning • Distribution of work • Solidarity	• Production relations • Systems of co-operation, Community organisations • Govt. institutions • Markets of goods, land labour and capital
3. Emotional Basis	**2. Knowledge & Activity**	**1. Physical Base**
• Memories • Attachments • Feelings • Anxieties • Boredom	• Technology • Agriculture patterns • Experiences, skills • Traditional knowledge • Labour, crafts, services, • Modern professions	• Natural environment (topography, climate) • Natural resources • Animals, habitat • Accumulated wealth

Inner ⟵⟶ Outer

Source: Högger, (2000)

The bottom row represents its **foundation**. This includes the physical, emotional, knowledge and activity bases. The physical basis refers to all the resources, economic and natural, available, the accumulated wealth, and remittances from migrant members etc. The physical basis includes the natural environment and resources, and knowledge and activity basis refers to the crafts, trades, skills, and traditional knowledge of the actors themselves. The emotional basis encompasses the feelings, emotional attachments, and the sense of belonging actors feel toward their home. The knowledge and activity basis refers to the crafts, trades, skills and traditional knowledge.

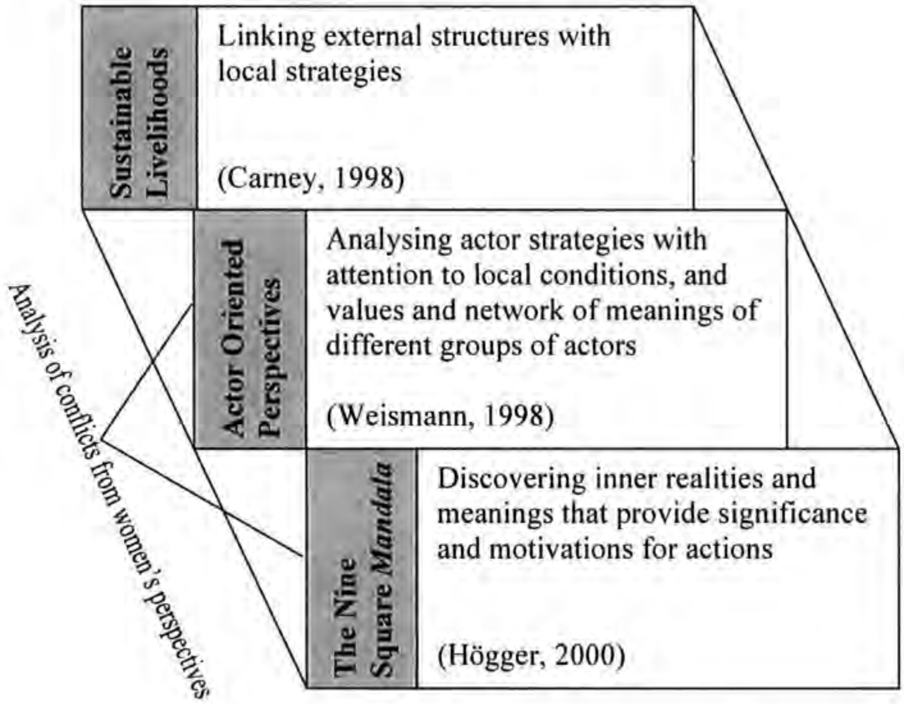
The interrelated nature can be illustrated by the probability that, in times of economic necessity, the decision whether to migrate or not, is governed by both emotional as well as physical necessities and not merely by economic considerations alone. Similarly, while the skills and crafts of a society may have an economic function, they also contribute to self-esteem and emotional fulfilment, and thus bind the physical and emotional aspects of the system. The middle row delineates the **different spaces** in society; Indian socio-economic space comprises the several caste hierarchies, the panchayat, and relations with government, neighbourhoods. The family space deals with gender relations, seniority within generations, distribution of workload, and finally the inner human or intimate space encompassing personal awareness, integrity and responsibility. The uppermost row deals with all the **mental/collective perspectives** that shape and guide actor strategies, including the collective, family and the individual orientations. While societal rules and family values govern general behaviour patterns, revolutionary change could originate from one strong leader only. The *Mandala* depicts the 'outer' and the 'inner', creating an awareness of both the physical and psychic constituents of all livelihood systems. From the bottom to the top of the *Mandala* is the transition from the physical and emotional basis to the mental apex, making it a heuristic tool that recognises the multidimensional reality of a livelihood system and alerts a researcher/ practitioners to certain conflicts which arise in development (Ibid).

This approach was applied in the mountain commune of Feldis (Switzerland), Mahudi (Gujarat), and in Karnataka, India. The topics explored using the *Mandala* have ranged from understanding gender and leadership issues, to adoption of technology and the analysis of farming practices and change in semi arid village contexts (Aurora, 2000; Hiremath et al, 2000; Premchander et al, 2003; Gnehm, 2003). It has also been used for understanding rural livelihoods in order to plan development interventions (Sampark, 2001; NRMPA, 2001; Jones, 2004).

3.2.5 Applying the Frameworks

The use of three frameworks allowed for person-centred, multi-levelled and flexible process based approaches to help understand the complexity and diversity of rural livelihoods, and also enable movement beyond rational economic thinking to in-depth analysis of inner realities of women and their experiences. All three approaches explicitly acknowledge that to minimise or avoid risk, actors tend to develop multiple strategies for their livelihoods. They take cognisance of the dynamic and holistic nature of the processes and structures that influenced and shaped livelihoods. Thus the frameworks are potentially flexible, adaptive and relational. The frameworks were applied primarily at different levels, as indicated in Figure 3-4.

Figure 3-4: Application of Analytical Frameworks



The SLF therefore linked macro level structures, conditions and institutions with household assets and strategies. A similar linkage was facilitated by AOP, which also provided the means to study strategies of different groups of actors, by assigning importance to values and meanings. The exploration of values and meanings was deepened further by the use of the *Mandala*, which accorded significance to emotional orientations.

Thus, the three frameworks helped to address deficiencies in the existing understanding of impact. This is not simply a methodological issue of tools and techniques. The differences in understanding arose due to the underpinning philosophy about the sources of knowledge. The attention to actors' experiences, and a gender perspective were lacking in earlier studies. The three frameworks address this by linking macro-micro factors, and by focusing on women's perspectives, and how livelihoods were impacted by microfinance interventions.

3.3 Research Design and Context

Previous impact studies show that cross sectional research has highlighted key effects of microfinance delivery, but could often overlook how women users, suppliers, and intervening agencies all had different perspectives. Moreover, where divergences were identified, they often endorsed and validated external perspectives, with less emphasis on women's own perspectives.

Visits to several NGOs in the first phase identified issues that highlighted the different meanings of money. Microfinance project designs did not really differentiate between the various local contexts, whereas loan off-take between different types of regions (e.g. irrigated, un-irrigated) made a difference to what loan women took, and also the purpose for which they used it. The major divergences of perspective related to the uses of money, and understanding of the new forum: SHG. So by the end of phase 1, I perceived three divergent perspectives, which made a difference to the impact of microfinance, and the uses and meanings of money. They were: <u>livelihoods contexts</u>, <u>how women use money</u>, and <u>what happened in SHGs</u>.

The goal was to understand how women perceive and use money, what money meant to them, and how this compared with other assets. The second phase of research therefore focussed on a semi-arid region, dwelling on its cultural and context specificity to study the interplay of external structures. The focus on ten women helped to delve deeper into actor perspectives.

3.3.1 Case Study Approach and Life Histories

The case study approach employs various methods including interviews, participant observation and field studies. "The case study has proven to be in harmony with the three key words that characterise any qualitative method: describing, understanding and explaining" (Hamel et al, 1993: 38). Case studies can provide narrative accounts of events to help analyse how outcomes may be reached by multiple pathways. The conclusions built from case studies are not easily detachable or decontextualised (Van Manen, 1998: xx), which raises the question of their wider generalisability. Some scholars suggested that the generalisation from specific to the general could be done through subsequent replications (Lincoln and Guba, 2000), while others held that generalising is not severely compromised by the use of case studies, as it is essentially the same as generalising from non-probability samples (Blaikie, 2000).

The case studies in this research focus on how women at the household level use money over an entire year. In addition, they contain women's life and loan histories over a five-year perspective. A life history is a fairly complete narration of an entire life experience; it is a 'first person' account of a life (Plummer, 2004). Long life stories cover many years, while short life stories may require a series of in-depth interviews. Life stories serve as a good means for understanding how actors see their own experiences, lives, and interactions with others (Atkinson, 2004). This research used short life stories, but with a whole life cycle perspective, and these needed to be reflexive and recursive stories, where the process generated self-consciousness and awareness of their own situations.

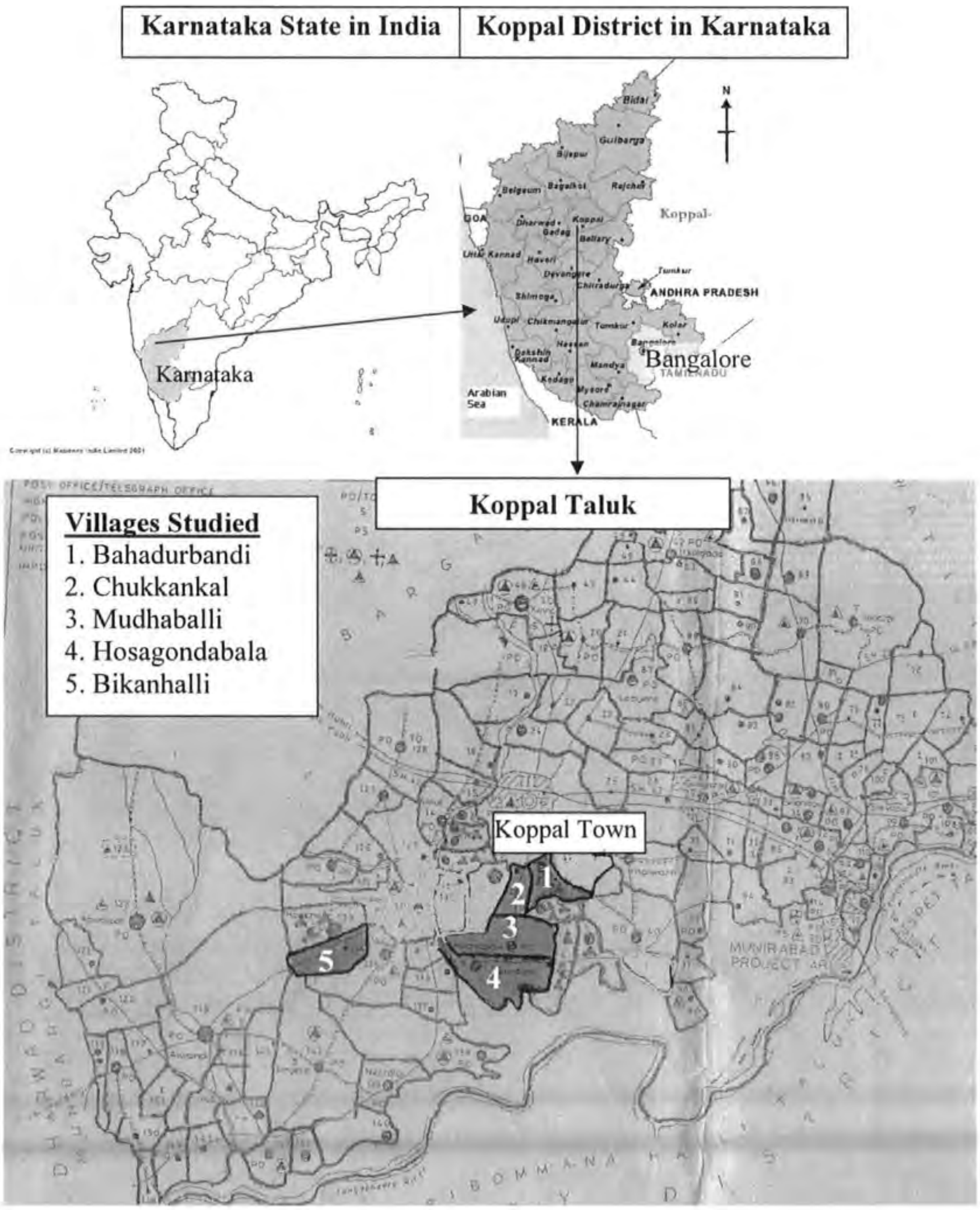
The ethics of conducting life stories demand that the researcher be fair, honest, clear and straightforward, and ensures that women's interests, rights and sensitivities are protected. "Setting out to help people tell their own stories gives the researcher a very clear intent…. Honour the personal meanings the life story-tellers give to their stories… In most cases and disciplines, the way to best understand a life story is to find the meaning that comes with it, emerges from it, or is waiting to be drawn from it" (Atkinson, 2004: 569). Life story telling is a process of personal meaning making. Often, the teller of a story can bring new knowledge, and the text can carry its own meaning. In this way, this research tries to understand how a specific context influences the use and impact of money, how women use money within their households, and finally how they use money (own money, i.e. savings, and external money) in other groups, how they manage those groups, and the problems arising from their participation in them. This study records not only financial flows but also women's attitudes towards money, credit, debt, SHG membership and peer group relations, the emotional content of different money transactions, and the power of money as a social obligation.

3.3.2 Research Site and NGO

Most SHGs are in the southern states (NABARD, 2003). The SHG-based Indian model of microfinance was piloted in Karnataka and Tamilnadu in southern India. I was stationed in Karnataka and was familiar with the local microfinance institutions. As southern India has many microfinance institutions and SHGs, this research was conducted in a poor district in Karnataka which has a predominantly agricultural economy. Only 20% of the cropped land in the state is irrigated, and agriculture is mainly rainfed. Of the 19 million hectares, under cultivation nearly two-thirds receives less than 700 mm of annual rainfall. The dry zones are "in a vicious cycle of denuded vegetation, soil erosion, depleted soil and groundwater, low biomass productivity, imbalance of human and livestock numbers with the exhausted natural resource base" (ODA, 1996: Annex A: 1) and have a higher proportion of the poor.

Semi-arid regions are classified under 'Less Favoured Areas' (LFAs), which are marginal and arid lands. These LFAs are characterised by low agricultural potential because of their poor soils, shorter growing seasons, lower and uncertain rainfall, widespread degradation of natural resources, and also past neglect, leading to limited infrastructure and reduced market access. Crop-shocks for a continued period of two to three years are not uncommon, so poverty is prolonged and the non-poor are also vulnerable (Gaiha and Imai, 2003). Given the high vulnerability of semi-arid regions, research in this livelihoods context should add value in terms of future strategies for growth and poverty-reduction. Hence, in-depth research was located in Koppal, a drought-prone region, and in the rain-fed areas of this district. Koppal is a newly created district, which was split from the district of Raichur in 1994, and lies in northern Karnataka, as shown in Figure 3-5. Within relatively 'developed' Karnataka, its northern region is semi-arid and poor, and has many demeaning social practices. The research focused on the Koppal *taluk* of the district. The five study villages had a total population of 313,898 people in 2001, of which 50% were women and 80% lived in rural areas (GOK, 2004).

Figure 3-5: Location of Research Area



The research called for a high degree of participant commitment. The data needed about finances and life events assumed high trust. Women spoke a particular dialect and required assistance with language. Finally, the location needed to be one where an NGO had a microenterprise lending programme. Thus, a critical factor for access was a good NGO promoting groups, which would permit longitudinal research along its development and microfinance project.

There were 17 NGOs in Koppal engaged in implementing projects for government or donors, of which 10 implemented microcredit projects. Once the project period of two to three years was completed, their support ended too. Only two NGOs had long term commitments to working in specific villages, and one only concentrated on education. The other NGO, Sampark, worked with microfinance services and was selected because it had over four years of engagement with SHGs, a significant presence in the district (through facilitating 22 percent of all its groups), and a long term commitment to those they worked with. An important methodological flaw can arise from the systematic sampling bias towards successful borrowers in large mature programmes (Woolcock, 1999). This bias was avoided as Sampark was a medium sized NGO with an average outreach of 2000 to 3000 women. As a personal member of this NGO, I was already known to its staff. Relationships already existed between the staff, women and their SHGs, which provided a good foundation for the in-depth research work that was required for longitudinal analysis.

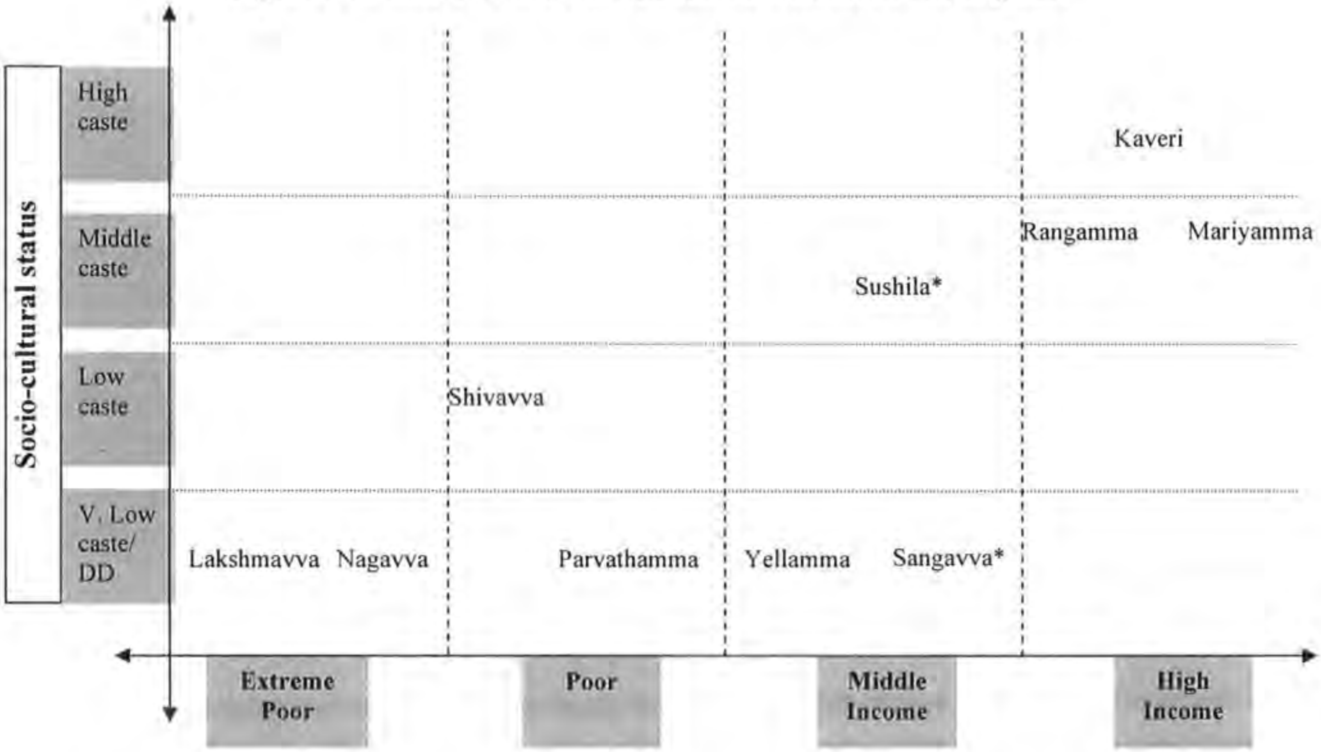
3.3.3 Selection and Profile of Research Participants

The case study approach allows for investigation of a contemporary phenomenon within its real-life context, which is highly pertinent to the phenomenon under study. Further, multiple cases allow the consideration and elaboration of different meanings and strategies, the evidence from which can be considered more compelling, even though more resource intensive (Yin, 1994). Yin advocates the use of each case as an 'experiment', applying the replication logic, (rather than the 'sampling' logic) which may produce similar or contrasting results. This needs a theoretical framework stating conditions under which similar/different conditions may be found, and to this extent the grid of social/economic differences is here based upon the economic/caste/gender characteristics of the women selected.

The rationale for selecting the women followed the criteria expounded by Yin (1994) that they be of general public interest (poor women) and also unusual (devadasis, poorest of the poor), and that the underlying issue be of due national importance, either in theory, policy or practical terms. The case studies were also 'complete' in that they gave special attention to the phenomenon being studied and its context.

Other economic research classifies rural households on the basis of ownership or lack of physical or human capital (Sundaram and Tendulkar, 2003). The social embeddedness of poverty is recognised, as is the feminisation of poverty (Johnson and Rogaly, 1997; Narayan et al, 2000; Majumdar and Subramaniam, 2004). Following this understanding, the women case study participants were selected on the basis of two main criteria: economic and social status, as detailed in Figure 3-6.

Figure 3-6: Criteria Used for Selection of Research Participants



* Poor when research started, improved during research period

There were, however, several variations within these categories, and these were intended to ensure that each case was different, so that wider insights could be gained. These variations were across the following criteria:

- The poor without landholding, and little land (1 or 2 acres), and more land (5-10 acres)
- Those who had taken bank or The Bridge Foundation (an MFI) loans and those who had taken no loans besides those from group savings
- Those who exercised leadership in groups/community, and those who did not
- Dedicated *devadasis* and others

The *devadasi* practice is prevalent in Koppal. *Devadasis* are women dedicated to the local deity. Although the reasons were once based on religious ideals, current practice relates to economic insecurity and emanates from the poverty syndrome and lack of other opportunities. Such women are not permitted to marry, but instead are inducted into a life-world where they have to forge sexual alliances with men. In return, the men are expected to pay for the household expenses of the *devadasis* and their children, though research shows that some male partners did not provide much support (Sampark, 2002).

The women selected for case studies included five from the *devadasi* community. As their social (kinship) situation is unusual it was harder to generalise from their cases alone. However, it afforded an insight into the perspectives of the socially marginalised, and devadasi presence was significant because 23% of the scheduled caste households in these villages had *devadasis*. Of the 1817 households from the five villages, the number of *devadasi* households is presented in Table 3-1 below:

Table 3-1: Total Number of *Devadasis* from the Five Villages

Village Name	Total Houses (Census 2001)	No of SC Households	Total No. of *devadasis*	% *Devadasi* out of total SC households
Bahadurbandi	422	23	7	30
Chukkankal	177	30	13	43
Mudhaballi	387	47	11	23
Hosagondabala	700	61	10	16
Bikanhalli	131	35	6	14
Total	**1817**	196	**47**	**23**

Source: Census (2001) and Social mapping exercises with villagers

The *devadasi* families mainly belonged to SC and a few to ST households. The total of *devadasi* families from these villages was 47 and the average number of *devadasi* families per village was nine. The maximum *devadasi* families per village was 13 and minimum was six. Among these, five had both mother and daughter *devadasis*. This was the rationale for including five *devadasis* among the ten women studied. They belonged to the lowest caste and class in the socio-economic structure, and an understanding developed from these households was likely to help improve the design of microfinance programmes aiming to reach the poorest. Some *devadasi* women were very poor, but others did have assets, and differences between them were further reflected in different livelihoods strategies. Studying five *devadasi* women provided insights into their particular kinship situation, which also allowed for comparison with other women-headed households, and those with men as part of the household, in terms of their respective strategies for money use. The selection of devadasis also raised the issue of whether the inclusion of 'deviant' or 'extreme' cases is justified on the ground that they are more likely to stimulate theoretical development (Kendall and Wolf, 1971). The intention was also to obtain different perspectives from within this category, i.e. 'within group' variations (Harding, 1992; Miles and Huberman, 1994). The situation of the *devadasis* shows that not only the were economic aspects of poverty important, but also social and cultural embeddedness of issues such as gender inequities, and lack of entitlements were important too.

Case comparison permits a grounded understanding of each single case, by specifying how, where and why it carries on as it does, and helps to investigate relationships and create constructs ((Miles and Huberman, 1994). This research considers female diversity, and does not treat rural women as just one category. Different life experiences arise from their social (whether *devadasis* or not), as well as their caste and economic status. In addition, several other factors made for variations, and which restricted their choices. They were spread over different age groups from 26 to 50 years and had family sizes varying from three to thirteen. Some were in nuclear and others in joint family households. The diversity of their situations and experiences is difficult to generalise, but does help to develop an understanding of the socio-economic spectrum that they represent, and also highlights their asset-base as a key determinant of the vulnerability/security of their respective livelihoods.

The diversity of women's households in terms of their size, composition, asset holding, occupations, incomes and expenses is represented in Table 3-2.

Table 3-2: Profile of the Research Participants

Name	Caste	No of Members	No of members earning/ educated	Landholdings			Cattle	Skills of earning members	Total annual Income in Rs. ($)	Av. Income Per person per year
				Total Dry land	Total wet land	Total land				
Lakshmavva	Madar (SC)	5	1	-	-	-	2	Coolie Grazing Cow	5,765 (131)	1,153 (26)
Nagavva	Madar (SC)	5	2	-	-	-	4	Coolie (Semi-Tailoring	15,282 (347)	3,056 (69)
Shivavva	Madar (SC)	13	7 (2)	-	-	-	6	Drives Tractor Fishing	46,050 (1047)	3,542 (81)
Parvathamma	Madar (SC)	3	2	-	½	½	-	Coolie Work in Hotel	12,324 (280)	4, 108 (93)
Yellamma	Madar (SC)	6	6	4	-	4	2	Coolie Grazing	28,860 (649)	4,810 (109)
Sushila	Badigar (OBC)	5	2 (2)	-	-	-	-	Tailoring *Kasuti*[2] Bangle Trading Electrical work	36,976 (840)	7,395 (168)
Sangavva	Madar (SC)	5	5(1)		½	½	2	Coolie Embroidery	37,489 (852)	7,498 (170)
Rangamma	Marata (OBC)	10	7 (5)	2	-	2	-	Petty Trade shop Driving Coolie	94,580 (2150)	9,458 (215)
Kaveri	Reddy	9	5 (5)	12	2	14	4	*Panchayat* Seeds Company Tailoring	1,09,300 (2,484)	12,144 (276)
Mariyamma	Kuruba (OBC)	3	2 (2)	5	3	8	2	Field Work Farming	96,353 (2190)	32,117 (730)

Four women, Lakshmavva, Nagavva, Shivavva and Parvathamma lived below an income level of Rs. 4,500 ($100) per person per year, as the poorest of the group. At the next level, in the range of Rs. 4,500 to 9,000 ($100 to $200) per person per year, were Yellamma, Sushila and Sangavva who could educate their children. At the higher end were Rangamma, Mariyamma and Kaveri, who had incomes exceeding Rs. 90,000 ($2,000) per year, and were reasonably affluent by local standards. The

2. Traditional embroidery of the north Karnataka region

household income of Kaveri was under-estimated due to non-availability of income figures from different family members. In addition to the women participants, discussions were held with family members, SHG members of the seven groups to which these ten women belonged, villagers from the selected five villages and local NGO staff. There were 15 women's SHGs, and only those groups to which participants belonged were selected.

All women were given a choice about their participation; out of the twelve who were contacted, ten participated. The research was introduced to each woman personally. They already knew that Sampark worked in twenty villages (35 villages in 2004) in Koppal with 120 women's groups (160 by 2004), and provided a range of support for group formation, training in management of groups, skill training, credit linkages, and linkages for government grants. They were informed that if Sampark was to make a positive impact on the lives of rural people, it needed to understand rural people better. As it was not possible to work with 1000 women for an in-depth understanding of their lives, only a few had been approached for this purpose. It was important that women did not feel obliged to participate because they would need to commit time for discussions.

It was important that this research was not thought to be about 'getting information' or the women 'providing information'. The intention was to learn together about their lives through close mutual dialogue. The research began with visits to individual homes and farms and extended towards other family members too. If women felt a need to meet other participants, workshops were organised accordingly.

The women who participated are referred to as 'research participants' and as 'women case study participants'. The names of all the women have been changed to protect their real identity. Latterly, most were more comfortable with their 'real names' and photographs being used; however, given the sensitivity of working with *devadasis*, the more ethical (and also conventional) option was chosen.

3.3.4 Time Scale

The first phase had provided insights into those issues which needed in-depth study, and these called for work of an exploratory nature, with few women, committing time on a regular basis. Understanding actors' perspectives about impact and allowing for seasonality of cash flows also required long-term association, and a period of one year was the minimum required. It actually took longer (2001-2003) as several events intervened in data collection, so the collection period was extended to ensure more continuity. Repeat visits were made through 2005 to update information.

The time scale of the various phases of the research is depicted in Table 3-3.

Table 3-3: Time Scale of the Research

Phases of the Research	Year 1-2 (1998-99)	Year 3 (2000)	Year 4 (2001)	Year 5 (2002)	Year 6 (2003)	Year 7-9 (2004-6)
Exploration of research topic						
Methodology development and first phase of field work						
Longitudinal case studies						
Analysis and validation of results						
Writing of the thesis						

3.4 Methods of Data Collection and Analysis

The monographic approach employs various methods including interviews, direct observation, participant observation, diaries, notebooks, maps, study of documents, physical artefacts, and discussions with key 'social authorities' (Hamel et al, 1993; Yin, 1994). The detailed information sought included financial transactions as well as other aspects of livelihoods not related to money. Secondary information was collected from local government and NGO offices. This section now discusses the research methods used for primary data collection, and how it was analysed.

3.4.1 Methods of Data Collection

The primary methods of in-depth case studies were semi-structured interviews with women, including questions covering the key issues derived from the three analytical research frameworks (Appendix 2). These were supplemented with insights from earlier field discussions. The participatory methods used are described in Table 3-4 below:

Table 3-4: Methods Used for Data Collection

Methods / Aspects of Study →	Livelihood context	Use of money	SHGs – use of money and group dynamics
Secondary data	√		
Sampark and group reports	√		√
Focus group discussions	√		√
Seasonal calendar (charts dairies)	√	√	
Activity profile	√		
In-depth case studies -Interviews		√	
Participant observation			√

Women self recorded several aspects of their daily lives, such as travel, festival celebrations, illnesses, and other special events, with a specific focus on collecting detailed financial flows (incomes and expenses) to analyse sources and uses of money within the household over the year.

Interviewers are necessarily implicated in creating the meanings attributed to research participants. As both parties participate in the interview process, meaning is 'communicatively assembled' during the interview, and respondents are seen not as providers of information, but as 'constructors of knowledge in collaboration with interviewers' (Holstein and Gubrium, 1995). Periodical validation meetings with the women participants helped to understand their attitudes towards money, credit, debt, SHG membership, relations with their peers, their means of reckoning fund-flows, and what is revealed and concealed from NGOs, the emotional content of different money transactions, and the power of money as social obligation.

Caste-based practices of untouchability and ostracism were analysed in each village through open-ended group discussions. In addition, data on the socio economic profile of the villages was collected from Sampark records. This information was supplemented through interviews with key informants and group discussions to focus on topics of interest (Krueger and Casey, 2000).

The time line of data collection with the ten women is given in Table 3-6:

Table 3-5: Time Line of Data Collection

Name of the Participants	Data Collection Period (August 2001 to July 2004)							
	Quarter 1 (Aug-Oct.01)	Quarter 2 (Nov.01-Jan.02)	Quarter 3 (Feb-April.02)	Quarter 4 (May-July.02)	Quarter 5 (Aug-Oct.02)	Quarter 6 (Nov.02-Jan.03)	Qtr 7 (Feb-April. 03)	Qtr 8-12 (May 03 – July 04)*
Lakshmavva								
Nagavva								
Shivavva								
Parvathamma								
Yellamma								
Sushila								
Sangavva								
Rangamma								
Kaveri								
Mariyamma								

The thickness of the line indicates the intensity of the data collected

* Gap filling and validation of results with participants were done during this period

While contact was maintained throughout the period, there were several intervening phases when women were not able to maintain written records about all the livelihoods aspects under study. However, overall substantial data collection was possible due to use of multiple methods and periodic meetings with the entire group together.

Women were visited once every three months. It soon became clear that women needed support to record data. My unfamiliarity with the local language called for in-depth interviews to be done by local actors more familiar with the dialect. Five researchers of Sampark were therefore enrolled for data collection, which was invaluable as language proficiency improved the quality of data collected. The field researchers met each woman once every two to three weeks, over a period of 18 months. They had earlier training in participatory research methods including in-depth interviews. As the research progressed, more training was provided e.g. in making seasonal calendars. They were briefed about the nature of the research and its objectives and hence the importance of adopting a consistent non-directive approach. They followed the principle of being unobtrusive, and did not insist on interviews when women were busy, and always fixed appointments with women beforehand. Many interviews took place on the farms when women were at work on their land. They worked on the details of the diary together with participants, and wrote down analysis and explanations that women gave, as well as the major events in their lives. Interviews were supplemented with the use of the additional research tools (e.g. activity profiles, open –ended discussions). This yielded more longitudinal data about women's access and control over resources and management of the different resources at their disposal. As time progressed, my own proficiency in Kannada increased and I needed other investigators less, but they continued to visit the women and accompanied me, in the interest of continuity and trust building.

3.4.2 Limitation of Longitudinal Studies

One limitation concerned the volume of data, which needed to be put into perspective. Lack of bounding and focus can lead to indiscriminate data collection resulting in data overload, and therefore some distillation is needed (Hamel et al, 1993). Even after the use of longitudinal studies and mapping of all inflows and outflows at the household, cash and non-cash, there were limits to the depths of analysis based on the data collected. For instance, the case studies do not provide conclusive data regarding whether rainfed farming or high input agriculture is profitable.

3.4.3 Analysis and Validation

As a first step, the data was put into the ATLAS.ti programme and analysed using different themes and various livelihood approaches and inter-relations (the codes used for analysis are listed in Appendix 2). The Sustainable Livelihoods Framework was used to analyse various aspects of livelihood systems, particularly the vulnerability context of women's lives as well as the five types of capital. The Actor-Oriented Perspectives approach was used to analyse actions within a rationality and value based framework. The Nine Square *Mandala* was used to analyse issues such as inner realities, collective orientations, individual orientations, family space and socio-economic space. The supply side factors (NGOs, banks, regulations and MF practices) outline the external dynamics. Women's own actions (arising from perceptions, household conditions, feelings, gender division of work, access and ownership of resources, livelihood strategies, aspirations, etc.) constitute internal dynamics. How these factors interact gives an in-depth understanding of women's livelihoods as well as the role of credit and other resources in forming their livelihood strategies. Group data was analysed without coding in ATLAS.ti, but validated through group assessment exercises with members of all the seven groups.

An analysis of the data was presented to the participants individually and in groups. They met five times during the three year period of research to discuss the findings. Workshops were conducted to review the data collection process, analyse the data, and consolidate and validate the findings with participants. Findings at the macro level were written and circulated to managers of those projects that were covered during the first phase of the study period. These included officers of CARE India and their NGO partners, UNOPS (through whom the IFAD projects were visited) and IFAD representative for India. The perspectives emerging in the research were shared with them, as well as permission obtained for citing the project documents. This two-stage process of analysis, followed by validation and feedback, enabled seeking alternative views of the data and competing interpretations (Brewerton and Milward, 2001).

3.5 Challenges of Participatory Research

The research was longitudinal and participatory and involved intensive interactions with women on emerging issues. This section describes the difficulties that arose during the process of data collection, and how they were managed. The application of principles of gender sensitive participatory research as they translated into action, is then discussed in detail.

Post-colonial literary critics have questioned the ethics of 'giving voice' to others (Spivak, 1990, 2000), thus warning that the claim of reflexivity should not be to authorise the writer. Others acknowledge unequal exchanges and argue that empirical research should learn from, and not exploit others, and therefore practice greater reflexivity (Skeggs, 2002). Several means are suggested for this, which include treating participants fairly, showing them respect at all stages of research, keeping agreed appointments, fulfilling promises and agreed expectations, and not compromising their anonymity without their consent (Brewerton and Milward, 2001; Pini, 2003).

3.5.1 Critiquing Objectivity and Participation

A tenet of scientific research is its claim to objectivity, which in turn is seen as necessary for wider generalisation and applicability of the results. However, mere use of technology (statistical or analytical packages and use of computers) does not in itself constitute 'objective' research. The way research topics are selected, the research is designed and conducted, who participates and who gets left out may all increase subjectivity in research (Lin, 1976), and the values applied in these choices need to be recognised and stated. The use of hermeneutics helps to approach interpretation more cautiously, and allows a discovery of deeper meaning (Giddens, 1991). Therefore, it can be more ethical to state one's own position in the research than to claim pure objectivity in research (Lin, 1976). Even if the researchers believe that they are neutral, other views and sympathies may be assigned to them by those whom they study, so it may be important to be 'neutral in the informant's terms' (Dexter, 1971).

'Ontological objectivity', as applied to research findings, may apply to a process of inquiry or an inquirer (Hammersley, 2004b). This does not imply that the researchers' own motives, interests, social background, political and religious commitments have no influence over the research process, only that they should not have a systematic negative effect on the research. Harding (1992) goes a step further and in fact argues in favour of "strong objectivity", advocating the "privileging the perspectives of those who are socially marginalised, on the grounds that they are more capable of gaining genuine knowledge about society because they are not blinded by any commitment to sustaining the status quo" (Hammersley, 2004b: 751). Thus, one of the ethical implications here becomes the rational pursuit of other goals besides knowledge, such as social justice or gender equality. At the other end of the spectrum are those interpretive social scientists who argue that researchers should immerse themselves in the lives of those they study, and thus should be as subjective as possible to be able to achieve an account that is faithful to their point of view (Brewerton and Milward, 2001; Blaikie, 2004).

My being a member of Sampark raises the issue of objectivity of the research findings. To begin with, I was located in Bangalore and responsible for fundraising, while a field manager located in the Koppal office headed the field project. Participants did not associate me with the credit programme of Sampark. The research was not conducted as an assessment of the impact of microfinance but as a joint learning exercise about women's livelihoods. The two-year long field contact had more of an anthropological than financial perspective. Open-ended interviews with someone associated with the NGO that organised their groups helped women share their beliefs, experiences and emotions rather than just giving 'desired responses' to predetermined questions.

Experience of qualitative research, like in the longitudinal studies described above, engages the researcher intensely in the lives and livelihoods of local partners, which provides the motivation to enhance developmental research and brings out findings that particularly contribute to new learning. Researchers constantly use the interpretations of research participants; at the same time they offer their own interpretations too (Knorr Cetina, 1999).

Uphoff (1985) suggests that degree of participation needed must be made clear, there should be realistic objectives for participation, funding organised for participation, responsibility sharing and participation in knowledge gathering. However, unequal social relations may be reinforced and community elites may co-opt the development programme for their own benefit. Mosse (2004) warns that this is indeed possible and that the rhetoric of 'participation' may reinforce existing donor, project, and people's hierarchies and biases.

Figure 3-7: Avoiding Bias towards PRA Participants

In the first phase of field visits I met with over sixty groups. As a practice I gifted Rs. 500-1000 ($11-22) to a group based on the local need. During a discussion in remote tribal village in Orissa Kalahandi district, I was aware that all the women were poor and I could not decide whether to offer the money. After the discussion was completed, I asked the leader that if I wanted to give something to the most needy among them, whom could I give it to? She immediately said that the person was absent and asked me to go with her. She took me to an old dilapidated hut where a woman was lying on the floor, with fever and an infected wound on her foot. She had been unable to move for the past three days and was the only one who had not come for the group discussion that day. If I gave cash to her, it would help her to get treated. This underlined the importance of good leaders, and the need to care not only for those who are present for discussions but also for the missing ones.

Chambers (1985) highlights biases in development research that under-estimate rural poverty and prevent deeper understanding of its nature. Certain anti poverty biases in research are caused by a preference for selecting villages that are situated near urban areas and along main roads. There can be a preference for villages where projects are implemented, as against those where there are few/no intervention projects. Again, the actors are usually those who are available, rather than those who have been forced to migrate. The seasons selected are those that are more convenient to external visitors (dry or cool months) rather than those when people experience greater vulnerability (hot/wet months).

This research attempts to counter these biases, by following the precepts of participatory research. It selects rural, poor, remote areas, and such localities' most marginalised women. It involved taking time, being unobtrusive, respecting women's time, listening to and learning from them (Chambers, 1985).

Feminist scholars have increased the researchers' awareness of the unspoken gender roles (Angrosino, 2004), and have advocated 'giving voice' to women. This is by no means a contested position (Hammersley, 2004a) and is challenged on grounds of the multiple perspectives people have, requiring 'multiple voices' as also whether it is possible for outsiders to give voice to the 'subaltern' (Spivak, 1998).

Actors may change their behaviour when they are being observed, and longer stays can overcome this so that any feeling of being observed by a stranger is reduced (Angrosino, 2004). In this research, I dealt with this problem by visiting and interviewing the women regularly, and also through the involvement of field workers of Sampark as researchers who had long-term contact. As it is unreasonable to strive for a completely neutral presence, observational data has to be supplemented by triangulation (Ibid), done here by talking to other group members and family members, and this was another rationale for including as many as five *devadasis* in a group of ten women participants.

Sometimes actors are not in a position to decide whether to consent until after their participation (Seiber, 2004). This was combined with validation meetings, to offer a chance to the research participants to give their informed consent *after* the data had been collected, and were sufficiently satisfied with the data and its interpretation.

3.5.2 Dependence on Women Writers and Providers of Information

Those women who agreed to share information about their livelihoods, were provided with chart paper, notebooks, and pens to record incomes, expenditures cropping patterns, travel and other life events. Yet their lack of literacy was an important factor in their inability to maintain written records. They had to depend on others who knew how to write, such as their children, neighbours' children or other relatives. It was difficult to take the children away from their play to do this 'work'. Finding this tedious, most requested the researchers to visit more often, so that they could record the data regularly and fill in gaps while they still remembered the details. One woman, Mariyamma, managed to write all details meticulously, and mustered resources in terms of four scribes, her husband, brother-in-law, and two young girls from the neighbourhood.

> ***"Why are you writing all the information about our expenses and income for others? Will you get money for writing all this?"***
>
> - Shivaji, Rangamma's son

In several cases, expenditure appeared higher than income, and no corresponding sources of credit had been recorded. Tracking cash outflows (expenses, debt repayments and savings) triggered the women's memory and helped them recall incomes and other inflows. Thus, outflow tracking enabled further approximation of income levels. This confirmed the well-known phenomenon of fungibility of money, and that it is difficult not only for external agencies to track where their particular contribution went, for the fungibility of cash makes sources and uses of money difficult to track even by the women themselves. In large families, like that of Rangamma and Kaveri, where many members earned and spent the money, it was not possible to keep track of either the income or expenses on a daily basis. It was mostly done on a monthly basis, and seasonal calendars with each participant supplemented the picture of incomes and expenses. Further, the household member who earns sometimes bought only provisions for the family, or else incurred some other expenses, but was otherwise reluctant to disclose full income or savings potential to the rest of the family. Those who were uncomfortable with such disclosures dissuaded the women from writing the full information. For instance, Shivaji, Rangamma's son, became irritated when she asked him to write for her. It was only after a meeting with all the other family members that he participated again. She had stopped writing, but did remember and disclose further information again. On the other hand, the experience of writing their own incomes and expenses, and that of the household, gave family members a picture of overall family finances, and helped them improve the financial management of the family. Matching incomes and expenses is a common problem in surveys, often attributed to the respondents being poor and illiterate (PRADAN et al, 1998). However, here the problem was not resolved even though some respondents were more educated and wealthy. In fact, illiteracy posed more problems where it created a dependence on others for the recording. The greater problems related to the paucity of women's time and a general reluctance of the non-poor families to share income data.

While the research was primarily conducted with women, several interviews were conducted with their husbands/sons and other family members. It is important to recognise that men often have financial and other livelihoods information about the household. It is therefore not easy or possible to get all the relevant information from women alone. The situation of *devadasis* was different, as their male partners were not part of the household at all.

> ***"It is a learning experience for me to write down all my expenses, I never used to do it before. Now I know my income and expenses very well. I used to waste too much money; I try to reduce expenses now. It was also good for me to talk with people who are educated and have studied so much, and involving in the research decisions has been my major learning."***
>
> \- Mariyamma

Kaveri's husband, Lakshmana Reddy, was uncomfortable about her trying to be a good leader, which had come about through her contact with Sampark-initiated women's groups. He was also uneasy about her asking for more information about household finances. Sushila's husband was extremely concerned when she wrote about his expenses on alcohol and beat her for doing so. Some women had more cooperation from the men in the household. Rangamma's husband Mailarappa, who is also illiterate, participated fully in the writing and provided information for interviews, and her son Gururaj encouraged her too, and helped with keeping the charts. Similarly Mariyamma's husband Siddappa, and her brother-in-law Nagappa, both helped with the recording.

Other family members cooperated a great deal during the study. Yellamma's daughter-in-law Lakshmavva ensured that whenever Yellamma was away from the village, she called the scribe, Maruti, to write the charts or notebook. Mariyamma's daughter Mariyavva helped her with the writing whenever she could. The mothers of *devadasis* also helped in providing information, and always cooperated. Discussions about caste dynamics, farming, cropping practices and natural resource management were always inclusive of men from the five villages, supplementing the data on ecological and other aspects of the local context.

3.5.3 Valuing and Respecting Women's Experiences

> ***"You cannot interview all the 2000 women in Sampark's SHGs. If understanding my household helps, I am happy to join this one year research and share all the details of my family."***
>
> \- Rangamma
>
> ***"My life is completely different from another devadasi, and our experiences are not the same, you cannot generalise for all devadasis from my story. I can only talk about myself and no one else."***
>
> \- Shivavva

The attention to women was translated through the methods used, whereby first unstructured interactions took place, then in each interview sufficient space was provided for women to shape the direction of the interview.

In all cases, the women openly participated in the research. Some were willing to participate, as they felt that they were representatives of other women like them. Yet others were clear that they only talked about their own lives, which to them were quite unique and not representative of anyone else. Each claimed that they had never talked about themselves and their lives; no one had ever asked them before but they were keen to talk. Some said it would also be an opportunity for them to learn, not only from themselves, but also from what the researcher was herself interested in. They said they were also keen to see the analysis and the conclusions of the research.

Yet, difficulties arose in the two-year period of data collection. Shivavva went away for six months to her daughter's place to help her with her delivery and was not available to record her livelihoods information. Her husband then developed a swelling, and she took him for treatment but he did not survive. When he died she was supposed to stay within her house and not come out for three months. Her writer, Maruthi, a boy of 12 years was scared of entering her house when her husband was ill, and also during the mourning period. She declared her interest in the study, though, and whenever the researcher met her, she effected to remember and reconstruct and gave all the relevant information. Sushila, being literate, wrote down all the expenses on her chart and diary, including those of her husband's alcoholism. He beat her for this, and eventually she stopped keeping the diary, but still she provided the data, and was never deterred by the beatings. Kaveri stopped providing much detail, primarily because when she questioned her husband about family finances, he became angry and withdrew information. She also shared her frustration about her husband being corrupt, and when he became aware of this, she stopped keeping all records and felt that any home interviews would be difficult because other family members would be present. She came for some interviews to the Sampark office, but sometimes her husband accompanied her, in which case she could not disclose much.

> ***"My son always had a doubt about the way I used money. He thought that I spend the money remaining from household expenses on ornaments for my daughter or things for my grandchildren. When all the information was available on the chart, he stopped fighting with me about this.***
>
> ***Now I am very happy that my son has taken up the responsibility of the family."***
>
> - Yellamma

Vulnerabilities were created in sharing the data as the women revealed their strategies of money management. Yellamma was given money for household expenses by her son, from which she saved small amounts for her daughter's marriage. When he came to know this, through the record keeping, he became angry, and took over the management of household expenses, so she lost control of family finances. Later on, he acknowledged that her strategy was in the interest of the whole family, and also a good one, and gave the responsibility back to her. Initially, she was upset, but later happily related the story of how her care and concern for every member of the household was recognised and accepted. Such difficulties in divulging sensitive information or those arising out of lack of information or memory are considered a common feature of qualitative studies (Mayoux, 1997). Despite these difficulties, the women continued their participation in the study, welcomed visits to their homes, and came for as many group discussions as they could (the participation in these was never less than eight out of the ten women participants).

At first, when the data was not recorded regularly, or when it was difficult to meet a woman regularly, one response was to consider dropping the particular woman from the research and select another. This concern arose from the need to have 'good data sets', and an orientation that differed from the lives of women whose being represented. Attention was therefore paid to 'why' women were not able to record, and why they were not available for the interviews regularly. There were issues about the tools and their appropriateness for illiterate women, but more importantly, there were problems in their lives that needed greater attention. The analysis of these events provided valuable insights into their livelihoods. The women participated despite these problems and research was completed with the same set of women for the entire period of research.

3.5.4 Relating to Research Participants

One issue in feminist research methodology is the split between the subject and the object (Pini, 2003). There needs to be an acknowledgement of how researchers relate to women, what data was generated, how it was used, and who has the ownership of this new knowledge that is created through the process. Initially, as the woman who was approaching them for collaboration, I was dependent on their agreement (or denial) and this position continued over the next two years, when I depended on their writing and sharing of information about their personal lives. If the research was regarded as mine, and thus external to them, the data might have been recorded more for me than for themselves. The quality of data depended on their participation, involvement and ownership. My dependence gave them some power and helped the research to be more sensitive in giving attention to their life events and perspectives. These processes also fulfilled a "broader feminist aim of facilitating women's empowerment" (Ibid: 425).

"I was earlier not comfortable about expressing my life story. Now I have understood this research is very important. You can go ahead and use my real name if you want- It's alright now."

- Sangavva

The five *devadasi* women, who had experienced extreme subjugation, had repressed several emotions which they had never before voiced, and this research provided them an opportunity to do so. They shared feelings, sadness, happiness, hopes and dilemmas. They sometimes broke down during the interviews as they recalled painful experiences. This was difficult to deal with, as certain interviewers did not have the formal training to deal such situations. Was it appropriate to open up discussions, which then one does not know how to close? Was it right to open up conflicts that one would not know how to resolve? The research team often grappled with these difficult questions.

Sampark requested training from the National Institute of Mental Health and Neuro Sciences (NIMHANS) (with whom Sampark had conducted research into *devadasis*). Interviewers learnt how to open and close discussions that brought back difficult memories, on a more positive note. Often the women's courage in difficult situations made a deep impression and they too learnt from relating, sharing, analysing and consolidating their own experiences.

3.5.5 Tangible Benefits of Participation

The participants later claimed several benefits from the research. The most important was an improved understanding of their own situation and the research process. In most cases, the participation was not confined to the woman; her family members actively participated too. When Yellamma Hosagondabala was out of station, her daughter-in-law took the responsibility of calling the boy who was the scribe, and giving him all the details of income and expenditure to write down. The scribes felt that they had benefitted too. The little boys said that they had understood household finances for the first time, and also that they had learnt to form letters well, got good practice and improved their handwriting. The most important benefit that women claimed was

> ***"We were not getting an account of earning from coolie work, nor of any of the expenditure. But now we have the accounts of everything, we know the income and expenditure and everyone knows, so there is no fight among us. We know where we spend more, so we have also reduced expenses on beetle leaves, nuts and tea, tobacco, and snuff powder. Instead, we spend more on vegetables."***
>
> - Yellamma's daughter-in-law

that they had become aware of, and were therefore able to reduce their expenses. The interviewers learnt more about women's lives, participatory learning methods, and seasonal calendars. They stressed that the relationships with women were most important in determining the quality of the information, and that the understanding of rural livelihoods gained from involvement in this research would help them a great deal in their work as field staff of a development organisation.

There was only one indicator of women's ownership of the information, and this concerned their own use of information. In most cases, women began to use the information soon after they started recording it. It generated conversations within the family. The whole family did an immediate analysis of income and expenditure regularly and discussed where they could reduce expenses, or how they could manage the finances of the household better. Mariyamma's husband wanted to analyse the farming expenses. They were keen on seeing the consolidated figures on the spreadsheets, and helped to clean up the anomalies.

"We ourselves understood our life situation." - Shivavva

"We learnt a lot about our difficulties, expenses, income, food and other things like the way we spend our time and others in the family earn and use their time." - Rangamma

"It takes time to understand a question clearly." - Nagavva

"Earlier I could not explain to my son how I spent the money which was given by him, and used to get scolded by him. But now when he asks for details of expenses I do not say anything, I just point my finger towards the brown sheet on the wall where everything is written. He can see how even one paisa is spent and on what item!" - Shivavva

Some were able to share emotional experiences. Sushila explained how talking about her life had allowed her to relive and express her pride in the way she had grown and improved her life:

"I feel my burden is lighter after sharing my bad experiences. When I was a child, there was not enough food at home and I used to go to school with an empty stomach. When I grew up my father arranged my marriage with a person who was already married and did not have any work. At the time of the wedding my husband borrowed a sari from his uncle and told him that he will return it in one year, which he was not able to do because of lack of earnings. One day his uncle came and took away that sari from my body, because I was wearing the same sari that day. From that day onwards, the incident has been in my mind, and always disturbed my concentration on work, now I feel good after talking about it with you and Sampark staff. Now I have improved financially by working hard, and having two to three businesses, I can say so proudly that I can buy five such saris with my own earning and give to my husband's uncle."

- Sushila

"We feel so proud to be part of these case studies. If our life stories help in making and getting suitable projects to help poor women like us we will definitely try to do our best and share about our livelihoods."

- Rangamma

It is important to establish a role that can be assimilated by the society under study (Dexter, 1971), as participatory and longitudinal studies tend to raise expectations of local people sharing their knowledge and experiences, which is problematic if the research is unlikely to link with problem-solving mechanisms (Gerritsen, 2003). The research was conducted in the field project of an NGO, where women knew and trusted the organisation, and therefore did not hesitate to provide information. The negatives were that there were expectations from the field worker in terms of loan, grant or job. In managing these expectations, the skills, sense of humour, personality of the researcher and relationship with the women come into play. The expectations were later fulfilled in a different way by assisting the NGO to initiate new action programmes based on women's needs and preferences.

> ***"In my field experience, I have been involved in many research studies, I never came across even one case where a woman expected money for her time. But definitely there is an expectation among women that this study will help them in some way in the future. Nagavva, Parvathamma, Rangamma and many others want at least one desire that they have for many days to be fulfilled: that they get electricity connections through the Bhagya Jyothi scheme. Rangamma wants a loan for an auto-rickshaw for her son. Sangavva and Nagavva want loans to buy buffaloes.***
>
> ***We are working with them regularly, we keep in touch, through our research we understand their concerns and desires, so they want us to attend to fulfil their livelihood needs; they do not want cash from Sampark!"***
>
> - Jeyaseelan, Manager of Sampark, Koppal

When one has done participatory research with women who are extremely poor, it is not always sufficient just to write about this in research reports and inform other researchers or policy makers. The link to development planning and policy can be difficult and uncertain, and even if some positive changes take place as a result, it may not benefit the participants concerned, as when researchers are asked: 'What will we get out of this research?' Then the only answer is that: 'You may not get anything directly, but poor people like you, somewhere in the country or in other countries, will get the benefit of this research'. The assumption behind this assertion is that new knowledge generated through research leads to changes in policy that positively impacts the poor (Prameela, 2004; Premchander, 2003a).

Policy change seemed too distant a promise to make to these actors. Discussions were held with the Sampark team about possible options: The first one was to pay the case study participants for their time. After all, the interviewers would derive benefits, directly (money) and indirectly (through publications, recognition and therefore greater status). This proposal was not acceptable for several reasons. To begin with, the case study women drew a certain pride from participation in this study. Money was not one of the rewards they were looking for; they had originally agreed to contribute their time free. To pay them for their time would have been to devalue their commitment to the research and deny their ownership of it. Secondly, as a development organisation, Sampark is engaged in many research projects, and a practice started on one project would have to be followed by all. A new practice would change the basis of common collaboration, a change viewed by staff as negative. Finally, there could be competition for participating in research activities as compared with other development activities which would give wrong signals at the field level. So, direct compensation to only research participants was impractical while indirect benefits were too remote. Initiators need to plan for how the whole community can derive tangible benefits (Maselli et al, 2004).

Sampark later reflected on the appropriate response to the question about what research can contribute to improve the livelihoods of local research partners? One of the most revealing explorations of livelihoods of women lay in their expression of their aspirations and hopes for the future. Invariably, these were not related to more money or assets, but to the future and security of their children's livelihoods, for which they perceived education to be a priority. Women in the poorest households, especially *devadasis*, were unable to earn enough through agricultural labour and tended to use the children to help with household chores, child care, sitting in the shop or grazing cattle. Children in these households were engaged in meeting livelihoods needs and tended to drop out of school. For these reasons, women wanted Sampark to invest in the education of their children, which they felt was their most important livelihood need. Sampark decided to respond to this need, not only for the research participants, but also for all the group members in all Sampark's villages. A survey was conducted to identify how many children dropped out of school and why. A full plan of education was prepared for children, whereby grants were to be raised for children of the poorest women, and a credit fund for education was created for the group members who needed loans, not grants. Sampark decided to raise funds to educate about 200

> ***"I get Rs. 10-12 ($0.23) as wages. It is not enough for rice for the family. I took a loan and started a petty shop, now I sit there and earn Rs. 25 ($0.57) a day. But when someone is ill, and we need money, I leave my twelve-year-old daughter to sit in the shop and I go for labour work. She is good at studies, and when I make her miss school like this, she gets upset. If she stays with me, she will lose interest in studies. But if you take her away, she can concentrate on studies and I will still somehow manage the rest of the family."***
>
> - Member of a devadasi group

children, for a period of five to seven years, until they completed Class 10, i.e. secondary education.

Another important contribution to the livelihoods of case study participants and others in the Sampark villages was made through the follow up of the discussions on natural resources. Sampark engaged in a learning exercise with the villagers about sustainable management of their natural resources, helped to form a farmer's forum, and facilitated their access to state funds to implement soil and water conservation measures in the village. This was set up as a credit fund managed by the farmers' forum. It was thus possible to raise issues and give voice to local people, which led development practitioners to consider other local livelihoods issues.

3.5.6 Recognising the Limits

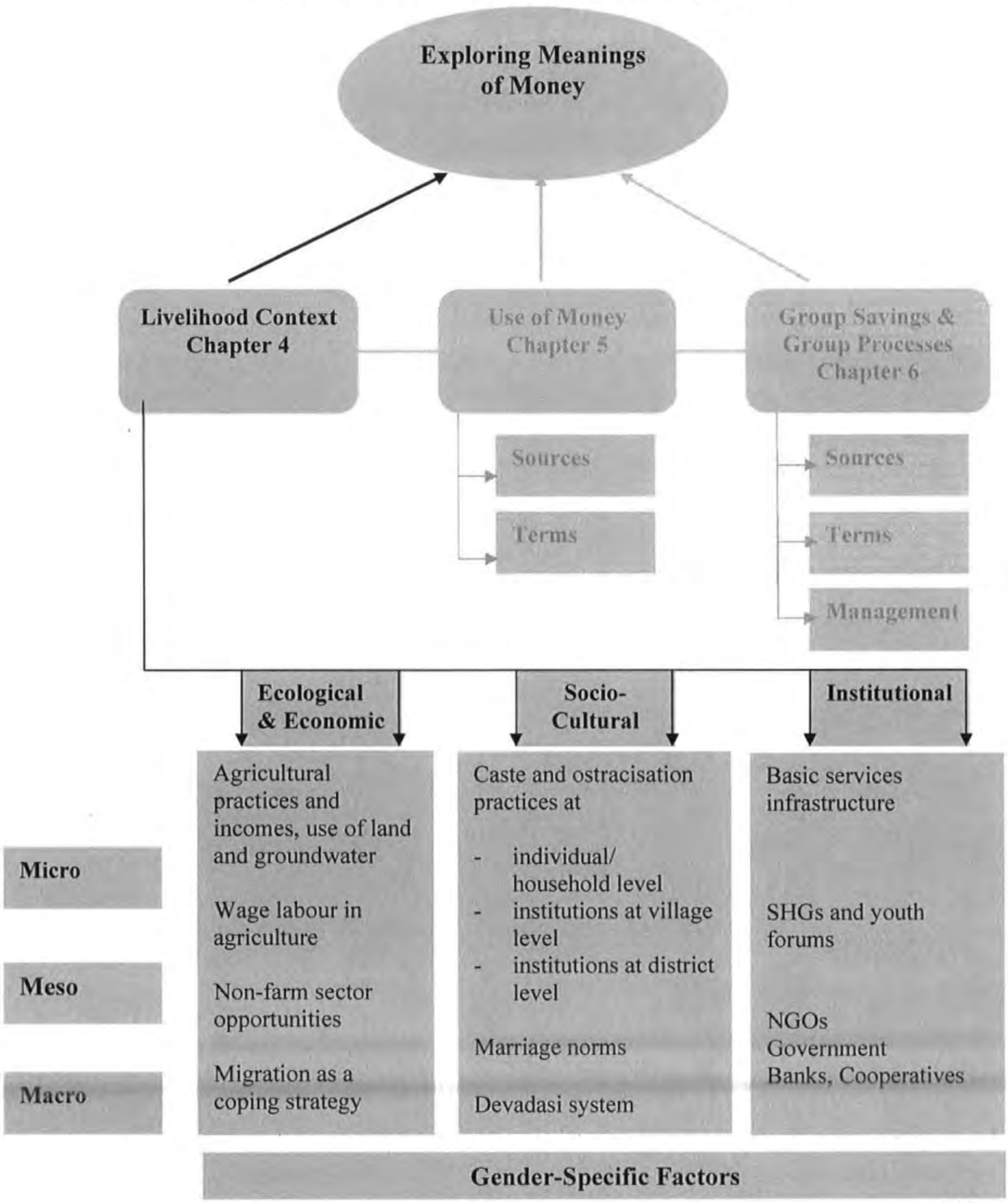
There were, however, instances of the limits to external support. Sushila's ten-year-old daughter has a slowly growing tumour in her brain. Sampark committed the money for her treatment, and Sushila brought her husband and child to consult the best specialists in Bangalore. The doctor advised the parents that an operation was essential for the child's survival, but carried a risk of losing some of her mental faculties. The parents decided against the operation, and the researcher and NGO respected this decision.

Lakshmavva, Parvathamma, Yellamma and Shivavva's children had dropped out of school. Shivavva still hoped that her child would continue his studies. She said: *"My son studied till the 5^{th} class and stopped going to school. If we had forced him he would probably have continued. He has not gone to school for the past three years; he used to keep his bags and books at home and go to play marbles. He is not at all interested in studies. I had given him a school bag on which I did Kasuti work and look here, the bag and books are lying unused."* When the son was asked, he said: *"My mother took me out of school when I was in 3^{rd} class, after which I have not been to school."* When asked if she would send the son to school if someone sponsored his education, she said: *"I will definitely send him if he is interested"*, but he intervened: *"No, I won't go... I don't know how to read and write but I know how* *to write my name, that's all."* It was the same with Lakshmavva's children, they are unlikely to join school again. There was a realisation that in these cases there is no way of turning the clock back, and that the livelihoods improvements and security for children who have already left school must be approached in other ways, e.g. through vocational training for employment or enterprise.

Chapter 4
Livelihoods Context

The three main themes investigated here are: the livelihoods context where the actors live; women's own needs, preferences and strategies for the use of money; and the processes of SHGs, as the main forums utilised for delivering microfinance.

Figure 4-1: Three Themes for Exploring Impact



This chapter explores how the context in which women live influences the use and impact of money, and outlines several factors in the macro-economic context, at the district and taluk level. The meso perspective is provided in the village level findings, which are based on focus group discussions with women's SHGs and other villagers. The micro perspective, of individual women's land/livelihoods management, supplements the meso (village) and macro (district) level data, to provide insights into how women determine their strategies in given livelihoods contexts.

Orthodox microfinance studies take a financial perspective, and usually track the use and impact of money in a more limited way, with little attention to contextual factors. These factors are all interrelated, but, for ease of discussion, are classified under three broad categories: the ecological and economic context, the socio-cultural context and the institutional context.

4.1 Ecological and Economic Context

Karnataka stands seventh among 15 major states ranked by their human development indices (GOK, 1999), yet Koppal is one of the poorest and lowest ranked districts on human development and gender indices (George et al, 2005), and this can be attributed to certain native constraints. The primary livelihoods constraints affecting demand and supply of credit are imposed by the ecological and economic context, which are now discussed.

4.1.1 Agriculture in the Drought-Prone Region

Koppal district is spread over 5559 square kilometres and comprises four *taluks*[1], with Koppal *taluk* covering 1375 square kms., 25% of its total area. The district houses a total population of about 10 lakhs spread over 488 villages. Each *taluk* has varying agricultural potential depending on its access to water from a local dam. In total 82,702 hectares (60%) is the net area available for farming, amounting to 32,351 landholdings, as shown in Table 4-1.

Table 4-1: Distribution of Landholdings

Size of Landholdings	No of holdings	Percentage (%)	Area (Hectares)	Percentage (%)
Marginal and small (less than two hectares)	15,530	50	28,711	19
Semi-medium (2-4 hectares)	10,044	30	28,123	28
Medium sized (4-10 hectares)	5,584	17	33,056	34
Large holdings (>10 hectares)	1,193	3	18,443	19
Total (Koppal taluk)	32,351	100	98,323	100

Source: GOK, 2004

Eighty percent of landholdings were marginal, small or semi-medium, i.e. less than 4 hectares. The district level Census data did not disclose how many households were landless. Land is an important asset, though earning from land was primarily rain dependent, with only 24% of all households owning irrigated lands.

Koppal is a semi-arid and drought-prone district. The average normal rainfall in the district is 572 mm per year spread over 28 days; the district experienced drought in the years 2001 to 2003, with an average annual rainfall of 367 mms (GOK, 2004). There was good rainfall in 2004, ending a period of four years of continuous drought.

"I have spent my entire lifetime in search of water. In search of water, my hair has become white."

- Rudrappa, a farmer from Bikanhalli Village (Premchander et al 2003: 21)

Low rainfall, has led to depletion of ground water, further aggravated by the digging of deeper tube-wells, from which only saline water is available. Land conditions in the study villages (all belonging to Koppal *taluk)* are thus poor. The fields are uneven, stony and lack protection from rainwater. Most have no

"I have four acres of land but it is near the river-bank and so it is flooded by the river water for more than half of the year. I cannot grow anything on that land when the situation is so."

- Yellamma

[1] Each State in India is divided into districts, subdivided into blocks, called *taluks*, the next level of administrative units, which comprise between 40 to 80 villages.

bunds[2] or any other arrangement to irrigate water and the more fertile topsoil has been so eroded that farmers use chemical fertilisers and hybrid seeds to obtain even a moderate yield. Some lands provided by the government for the *devadasis* are unproductive because they are rocky with thorny bushes, and need extensive clearing to be farmed and are regularly submerged by the waters of the nearby Tungabhadra dam for several months every year. The villagers of Bikanhalli claimed that there were 5000 trees in the 1960s, compared with just 2500 now. Trees have been depleted not only from private lands but also from common lands and forests. This has created a deficiency of firewood and biomass availability in the area, and has also accelerated soil erosion from wind and water (Premchander et al, 2003).

"There was a forest at that time and I was getting the raw materials (bamboo) for basket weaving from the forest, but now the forest has been cut down and they use the lands for farming."

- Yellamma

Farmers in this region continuously experiment with their cropping pattern, balancing cash and food crops (the result of two PRA exercises with farmers is depicted in Figure 4-3). Crops are planted in both red and black soils and in irrigated as well as dry lands. PRA exercises showed that agricultural incomes were subject to significant seasonal variation and also depended on the type of land. Farmers with irrigation facility, e.g. through borewells, did not keep the land fallow at all, and took three crops in a year. The farmers who had more than one piece of land, used it at different times, always based on water availability. Cropping on irrigated land was more expensive as it needed regular weeding, usage of pesticides, and fertilizers and also electricity charges. The average expenses of cropping on irrigated land were Rs. 4,000 ($89) per acre to obtain an income of Rs. 5,000 to 6,000/- ($111 to133). The average expenses on dry land were Rs. 1,500 to 2,000 ($333 to 44) per acre and income was Rs. 4,000 to 5,000 ($89 to 111).

[2] Soil and water conservation structures, usually two to three feet high walls built of stone and soil.

Figure 4-2: Cropping Pattern in Koppal Taluk

Crops Grown in Early Monsoon Season "Mungari" Or Rainy Season (June to October)	Crops Grown in Late Monsoon Season "Hingari" Or Winter Season (November to March)
• Groundnut • Hybrid Jowar, Maize • Sunflower • Bajra, Minor millets • Red Gram, Bengal gram • Toor Dal, Cow pea • Vegetables, Onion, Chillies	• Sunflower • White Jowar • Cotton • Maize • Groundnut • Wheat • Kusibi (oil seed) • Vegetables and chillies

There are limits to any understanding derived on the basis of averages, arrived at from a PRA exercise. A detailed analysis from women's case study data showed that the difference between dry land and irrigated land depended on several factors. Of the ten women studied, six had land, of between one half to three acres of irrigated land and half to twelve acres of dry land. Income per acre from land is presented in Table 4-2.

Table 4-2: Income from Land (per acre)

Name	Early Monsoon season		Late Monsoon Season	
	Irrigated Land	Dry Land	Irrigated Land	Dry Land
1. Mariyamma (3 acres irrigated and 6.5 acres dry land)	Rs. 3,375 ($75)	Rs. 755 ($16.77)	Rs. 3,366 ($74.8)	Rs. 899 ($19.9)
2. Rangamma (2 acres of dry land)		Rs. 3,325 ($73.88)		
3. Sangavva (1/2 acre of irrigated land)	Rs. 2,044 ($45.42)		Rs. 10,000 ($222)	
4. Yellamma (4 acres of dry land, near the riverbank).				Rs. 733 ($16.28)
5. Kaveri (2 acres of irrigated and 11 acres of dry land)	Rs. 2,000 ($44.44)	No data	Rs. 4,500 ($100)	Rs. 1,209 ($26.86)
6. Parvathamma (1/2 acre of irrigated land)			Rs. 3,340 ($74.22)	

In a year of good and evenly distributed rainfall, income from dry land could be equal to that from irrigated land. Variation in net earnings also depends on the management of the land. Rangamma managed her dry land such that she earned Rs. 3,325 ($73.88), close to the Rs. 3,375 ($75) per acre that Mariyamma earned from her irrigated land. Kaveri was able to earn only Rs. 2,000 ($44.44) per acre from her irrigated land. Sangavva earned Rs. 1,022 ($22.71) on her half-acre plot of land, and could only cultivate it for the four months when it was not submerged. As she was able to go for *coolie* labour during the same months, she divided her time between labour work and working on own farm, thereby balancing her earnings from land and labour. However, in the late monsoon season, when there was less demand for labour, she worked on her own land and planted commercial crops like vegetables (which can be plucked more often than food-crops like *jowar* and millets, which are harvested only once), earning as much as Rs. 5,000 ($111) on that crop. Irrespective of the size of land holdings all the women followed a cropping pattern that allowed them to get food grains for household consumption and also commercial crops which provided cash to purchase other items like clothes, detergents and meet their medical, travel expenses, etc.

The difference between yield on dry land and irrigated land depends on several factors such as: amount and distribution of rainfall, cropping pattern, incidence of pests, technical management, and human labour invested. The micro-level details highlight that several factors influence earnings from land, which are related as much to ecological conditions as to economic and management factors. Again, these figures are only for one year, and land utilisation and annual returns vary for every household, making it difficult to generalise about overall earnings. If rains are scanty, which was often the case in this drought-prone region, there was little or no income from dry land cultivation.

Kaveri, who had 14 acres, left 9 uncultivated over the study period because of no rain. Similarly, Mariyamma cultivated only 2.5 acres of dry land, leaving 4 acres fallow, claiming that she did not have the resources, and would not risk investing in it. Only 24% households had irrigated lands they could cultivate in dry years. Thus, the earning potential depends, not on the total ownership of land, but on land where there was irrigation. As irrigation is so important, borewells, which are the main source of irrigation, are important and as their numbers multiply, there is further depletion of ground water resources. The following statements of women illustrate this:

"I managed to sink a borewell in this land through the Ganga Kalyan Yojane. I had to spend Rs. 1,500 ($33.33) on this, for the dalal (broker), and getting the relevant papers from the tehsildar (local revenue officer). We had a good crop of groundnut and had some money in hand, so were able to pay for these expenses ourselves (without taking a loan). It used to yield a lot of water, but this has reduced over the past six months. My neighbour saw the quantity of water I was getting, so he has sunk a borewell very close to mine." - Parvathamma

"Twelve years ago the government provided one borewell for about 50 families in Bikanhalli. It was in Yamunavva's land, who was a member in the Gram Panchayat. All the 50 families took water for cultivation from there. I also got water from this borewell for ten years. For the past two years, Yamunavva has forbidden everyone to take water from this borewell, as her land is getting spoiled by people coming to use the motor. There are now two groups, 20 families support Yamunavva and others reported to the police but no action was taken. Then an officer from the Agriculture Department came and enquired about the issue. The two groups argued and fought, and the officer went back without solving the issue. The groups then asked for the borewell to be closed. Yamunavva then separated from the group. Eventually the borewell was closed. Then the groups invested Rs. 30,000 ($652) each and made separate borewells, one covering 20 and another covering 30 households. Now I am getting water from the new borewell for cultivation." - Sangavva

The macro-level information thus showed increasing groundwater depletion and salinity of lands. At the household level, farmers adopted high input agriculture. The availability of water was a critical determinant of earnings, and the sinking of a borewell was the first and single most important investment land-owning households made. There was little evidence that agriculture was profitable[3], yet, land was a coveted asset and agriculture the main occupation. A Sampark field manager explained:

[3] Agriculture and non-agriculture expenses were difficult to separate because of fungible monies, labour payments received or agricultural inputs obtained in cash and kind, and produce shared in kind or sold, and even when women faithfully recorded many transactions they did not consider many of these distinctions worth recording.

"Although agriculture is risky and appears unprofitable, it is the main occupation. What else do people have to do here? They want at least some land, so that they can cultivate. Farmers have a cultural and psychological attachment to farming; they do not like to leave their lands fallow. In the end, of course, they live on hope: every year, they hope for good rains."

So, while land is important for household food security, it is also important for livelihood purposes. On the other hand, agriculture is risky, and not always profitable. Farmers realised that it did not give satisfactory incomes, as Mariyamma explained:

"By the time we pay off the loans for seeds and fertiliser and pesticides, there is nothing left to carry forward to the next year, and we need to borrow again for the next cycle."

Many marginal and small farmers, therefore, were only slightly better off than the landless households, and also depended on casual farm labour to enhance their meagre incomes.

4.1.2 Agricultural Wage Labour

The landless and small/medium farmers with no irrigation facilities particularly depended on casual labour in the irrigated lands of their own or neighbouring villages, where too work was limited and seasonal. A typical seasonal calendar is presented in Table 4-3.

Table 4-3: Seasonal Calendar – Agricultural Labour Work

Seasons/ Months	Work	Time	Wages
August - October	Women go for weeding	Morning 9 to 2 pm If they continue from 3 to 6 pm	Get Rs. 15-20 ($0.33 to 0.44) per day Get Rs. 5 ($0.11) more, i.e. Rs. 20-25 ($0,45 to 0.57)
November - February	Women go for harvesting work	From 10 am to 6 pm	Get Rs. 10-12 ($0.23 to 0.27) per day
March - May	Little work for women in this season Men get more work: land-levelling, spreading manure and cleaning the land	Full day (9 am to 6 pm)	In case women are called for work, they are paid Rs. 8-10 ($0.18 to 0.23) per day Men are paid Rs. 25 ($0.57) per day
June - July	Monsoon sowing work begins. Women get seeding and fertilising work If the monsoon fails in June or July, women can only collect 10 kg *neem* seeds per day	Full day (9 am to 6 pm)	During this season they get Rs. 12-15 ($0.27 to 0.34) per day Neem seeds are sold at the rate of Rs. 1 ($0.02) per kg

Women's wages are lower throughout the year. Though men work more for three months a year, women do some farm labour all through the year, except March to May which are the lean months for farm work. Wage labour is paid for in cash and kind. Not having any animals herself, Rangamma allowed her workers to take away fodder. The practice of giving fodder (in addition to wages) for labour is common among the villages in the taluk, especially during the harvest months when labourers work longer hours. In certain villages, jowar is bartered in the grocery store for provisions, and also taken instead of money as wages. When she needed *jowar* she worked as an agricultural labour on neighbouring farms, not for cash but to get food grain.

Whether in cash or kind, the total earning from wage labour depended on the season, as well as the number of members in the household, and the latter is analysed in detail in Chapter 5.

4.1.3 Non-Farm Employment and Skills

Koppal district has a population of 11.93 lakhs (GOK, 2002) and the employment in different sectors is given in the following table:

Table 4-4: Sectoral Distribution of Employment in Koppal district

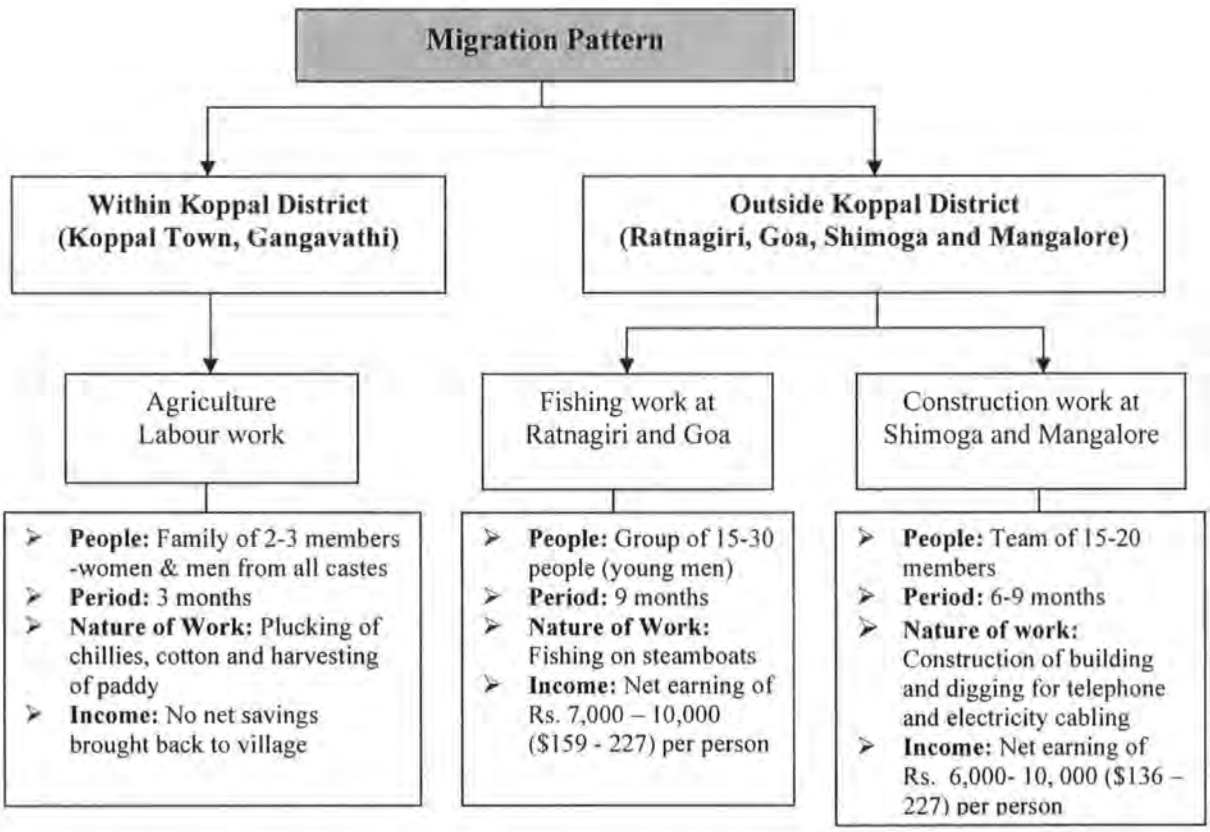
Sector	Persons employed	Percentage
Agriculture	3,48,535	89
Small Business	12,768	3
Professionals	11,822	3
Government	12,428	3
Banks and LIC	761	1
Teachers	3,798	1
Total	**3,90,112**	**100**

Industrial development of Koppal *taluk* is particularly low. There are 233 small industrial units (GOK, 2004). They employ 1,231 people from a population of 3,13,898. Female literacy is particularly low with 5% of women being literate (group discussions data). The only life-skills participants and their families had were farm or contract labour, although a few were able to do traditional embroidery and tailoring. There were also several stone cutting units in the informal sector, whereby groups of people blast and cut rocks, convert them into one-foot cubes or stone jelly, and supply them to contractors (Premchander et al, 2003). Koppal has over 300 small units where human hair (donated to temples) is brought, sorted, cleaned, sized and exported. The units are in the informal sector, and employ about 3,000 women (Sampark estimate), but there are no recorded statistics. Thus, not only is the potential earning from agriculture uncertain, the potential for non-farm activities in Koppal is also limited by low industrial development, and the employability/ self-employability of people is further limited by their low skill levels.

4.1.4 Migration as a Means of Survival

As a result of this there is an increasing pressure to migrate. 20% of households had one or more family members migrating within and outside Koppal district for labour work, as described in Figure 4-3.

Figure 4-3: Observed Migration Pattern



In villages with relatively high irrigation levels, as in Bikanhalli, farmers did not migrate but obtained labour on nearby farms. Nagavva said:

"About 10 to 15 people from our village go to Sidhamannahalli near Gangavati for plucking red chilli and cotton. People get a shed to stay from the landlord. They get wages of about Rs. 25 to 30 ($0.5- 0.6) per day. They stay for about 3 months and come back. The amount the farmers give meets only the expenses on food and clothes while on migration: Allige alli, pujege puje (meaning that they return empty handed, with no savings).

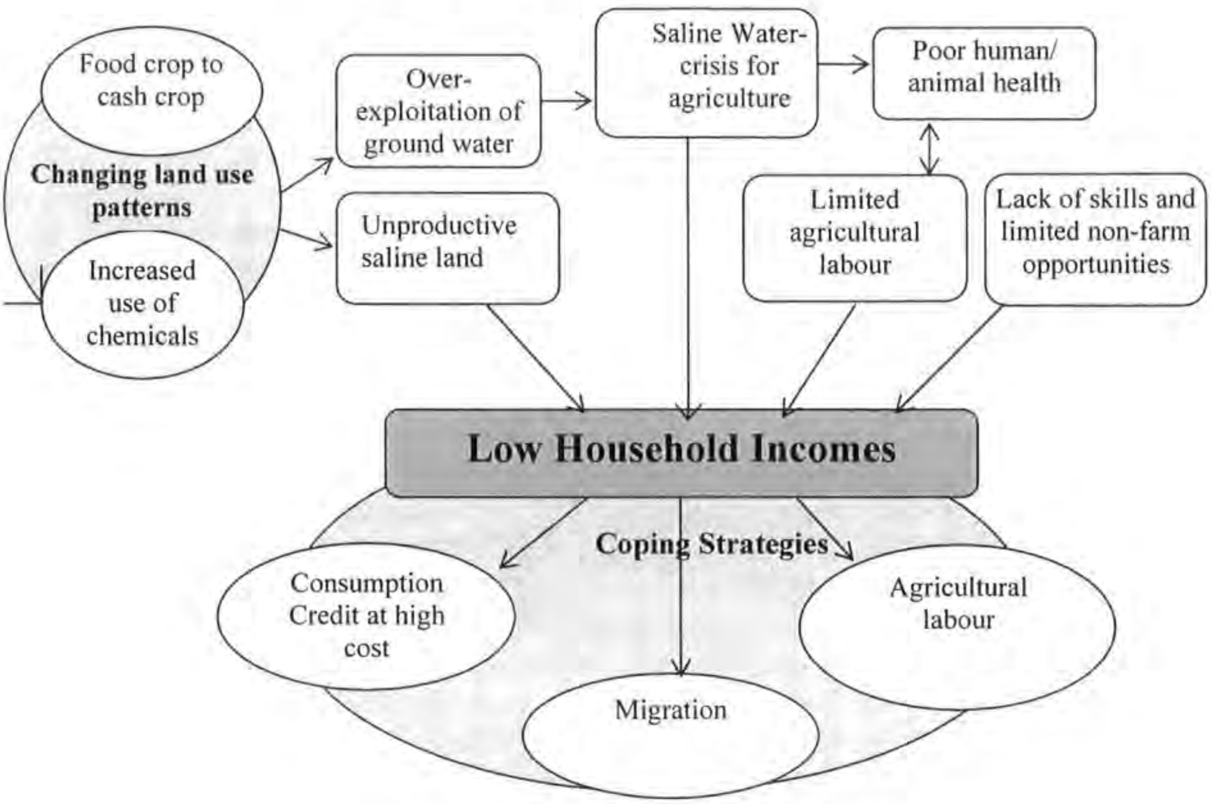
Some go to another village for maintaining coconut trees. Both women and men go together to these farms. Men get daily wages of Rs. 30 ($0.6) and women Rs. 20 ($0.4) for this work. They also work in brick kilns. This work is available not only to the SCs but also to those from other castes."

By comparison, in Hosagondabala, where lands were submerged for most of the year, there was more out-migration. When migration was to nearby areas for agricultural labour, those who migrated survived the lean months but did not bring back any savings. When they went for fishing or for high skilled work, they could save Rs. 6,000 to 10,000 ($133 to 222) a year to bring back home. In four cases, sons migrated to the nearest towns for seasonal labour work in construction, cabling and driving. Shivavva's son migrated to a distant place in the neighbouring state of Maharashtra for more than nine months every year for fishing. Yellamma said:

"The money brought back as savings from the fishing work helps a lot. People are able to redeem the lands they mortgaged, repay loans taken for provisions, repair their homes, purchase bullocks or gold, dig borewells, and spend for marriages. After they have finished the amount they brought, they go back and work in Ratnagiri."

Migration is thus an important coping strategy followed by several study households. The ecological context could not sustain livelihoods, which depended on unpredictable rainfall, availability of wage labour, and on the quality of the natural resources to which they had access or control (Premchander et al, 2003). The livelihoods constraints and resulting coping strategies are thus summarised in Figure 4-4.

Figure 4-4: Ecological and Economic Context



Source: Adapted from Premchander et al, 2003

To summarise, despite degraded land and soils, farmers tried to access water through bore-wells whenever they could afford, and switched from crops to a combination of food and cash crops to earn money. If they got lower yields they stopped growing commercial crops and switched back to food grains, as these provided cattle fodder. However, as the soil had already lost its productivity due to salinity, they still did not get good yields, and eventually tried to find labour elsewhere. This livelihoods strategy was, however, based on a household perspective, and further exacerbated the degradation of natural resources.

This research shows a clear limit imposed by the overall livelihoods context on the demand for credit. This finding can be compared with the data sets available for the other states covered, i.e. Madhya Pradesh, Bihar and Orissa. In the forest regions of Bastar district in Madhya Pradesh, there were sufficient natural resources (i.e. forest); however, inadequate infrastructure and markets restricted further economic development. The institutional context was one wherein government, police and traders colluded to exploit forest resources without any positive impact for local tribal people. Low literacy levels and differences in tribal and mainstream language privileged urban traders and middlemen over local (Premchander, 2000). One district in Orissa (Kalahandi district) and another in Bihar (Lohardaga), were remote and non-monetised, and had a similar livelihoods context to that of Madhya Pradesh. In another district of Bihar (Ranchi), the microfinance project was located close to the city or small town markets and, given high soil fertility, provided options for women to earn through vegetable and fruit cultivation and trading. In Madhya Pradesh, as in Koppal, the local livelihoods context inhibited the use of credit for development purposes. In Bihar, where there were market opportunities, there was greater use of credit (Sampark, 2000).

4.2 Socio-Cultural Context

The main factors include demographic profile, literacy, and caste. The norms regarding marriage particularly affect women's lives. The prevalence of the *devadasi* system in Karnataka makes lower caste women singularly vulnerable, as this practice is in tandem with gender, social and cultural norms.

Demographic Profile

The demographic profile of the villages where the longitudinal research was conducted is given in Table 4-5.

Table 4-5: Demographic Profile of the Five Villages Studied

Village Name	Total House holds	Population			% of ST Pop.	% of SC[4] Pop.	Literacy Level	
		Male	Female	Total			Total Literacy	Female Literacy
Chukkankal	177	514	495	1009	183(18%)	273 (27%)	528 (52%)	217 (44%)
Mudhaballi	387	1044	1044	2088	147 (7%)	333 (13%)	1047 (50%)	392 (38%)
Hosa-gondabala	700	1998	1976	3974	23 (1%)	347 (7%)	2261 (57%)	896 (45%)
Bahadur-bandi	422	1300	1245	2545	104 (4%)	158 (11%)	1149 (45%)	388 (31%)
Bikanhalli	131	360	337	697	28 (4%)	197 (39%)	353 (51%)	128 (38%)
Total	**1,817**	**5,216**	**5,097**	**10,313**	**485(5%)**	**1,308(13%)**	**5,338 (52%)**	**2,021(40%)**
Average	363	1043	1019	2063	97	262	1068	404
Data for Koppal taluk		1,59,114	1,54,784 Sex ratio: 982	3,13,898	23,800 7.58%	8,300 2.64%	58.53%	44.76%

Source: Census of India, 2001; GOK, 2002

The village size varied greatly, with the number of households ranging between 131 and 700. The female population was 49%. The overall literacy level was 52%, ranging between 45% and 57%, and female literacy was 31% to 44%. These census figures may well have been overstated, as group discussions with Sampark staff and in PRAs and SHGs showed that women's literacy levels varied between 5-10% in general, and 2% among SHG members belonging to the poorest categories.

A recent study recorded low gender and human development indices in Koppal, thus:

Table 4-6: Gender and Human Development Indices (Koppal)

Selected Key Indicator (Koppal District)	Percentage
Female literacy	40.76
Girls married below 18 years	57.10
Current users of FP Method	45.40
Birth order 3 & above	52.80
Safe delivery	48.00
Complete immunization	37.20
Decadal population Growth rate	24.57
Composite Human and Gender Development Index	53.09

Source: IIPS, 2002

[4] SC/ST- castes which are included in Schedule of the Constitution, whereby reservations are granted to these castes for education and government services

Castes are the basis of social stratification in Koppal and classified as higher, middle and lower castes. The general castes are venerated as 'higher', while the scheduled castes perceived as the 'lower' castes, are often ostracised. About 18% of the village population belongs to the SCs and STs in the study villages. Six case study participants were from the SCs, three were other backward castes (OBCs), *Kuruba* and *Marata*, and one from the general castes, *Reddy*.

4.2.1 Caste and Economic Levels

Information on Koppal district revealed significant overlap between caste and class categories, whereby the SCs formed the majority among the landless and casual wage earning categories as compared to the general castes, and the district average, evidenced by the data from a household survey covering 15,000 households in 56 villages of Koppal district, detailed in the accompanying table (George et al, 2005).

Table 4-7: Landholdings Distribution in Koppal

Caste Categories	Proportion of all households (%)	Landless (%)	Casual wage earning households (%)	Owning <5 acres (Unirrigated land) (%)	Owning 5 acres or more (Unirrigated land) (%)	Owning <5 acres (irrigated land) (%)	Owning 5 acres or more (irrigated land) (%)
Upper castes	28.3	13.3	24.7	28.6	29.1	8.5	20.2
Middle castes	37.8	11.4	36.9	35.2	28.0	9.8	15.6
SCs/STs	26.7	20.9	59.2	45.8	14.3	11.7	7.2
Muslims	4.1	29.6	39.9	31.2	17.1	8.5	13.6
All households	100	15.9	39.8	36.0	24.0	9.8	14.3

The PRA exercises also show that in every study village the highest proportion of land holdings belonged to the Reddy and Lingayat communities. Agriculture is the main occupation of the general caste (Reddys, Lingayats and Kurubas) who own on an average of 10 to 30 acres of land per household which is partly irrigated by bore wells. The OBC households own between three to 10 acres each. The SC/STs have the smallest landholdings or are landless. 50% of the Madar community are landless agriculture labourers, while 50% have between 0.5 to 3 acres of land; most are dry lands, and some obtain water on a shared basis. The Oddaru caste work as labourers in house construction and bake the limestone used for whitewashing houses. The Jangamaru caste grazed cattle, and took milk, curds and vegetables to Koppal town to trade. The Harijans and Talwars are engaged in construction, contract, and *coolie* work. The Madar castes were among the poorest, in each study village.

> ***"I was 8 years old when I got married. None took me to coolie work as I was too small, but I used to go and pile cow-dung from roads and fields. I would collect it in one place, and later we would sell it for Rs. 25 ($0.55) per cartload. I also used to cut firewood and we would sell this too for Rs. 25 ($0.55) per cartload. My parents used to go to coolie work. When I wanted to go to school they did not send me, because nobody is sent to school in our caste (SC Harijan). Even our children are not sent to school because they are born 'to a poor person from a low caste'. Neither I nor my children have had any pleasures in life and till now I am facing difficulties.***
>
> ***Both my daughters-in-law and sons are illiterate, even my grandchildren are not willing to go to school. Although we pushed them to school they are not willing to go."***
>
> \- Shivavva

4.2.2 Social Stratification at the Margins

In the villages, the caste system is followed quite strictly. Discrimination against those from the Scheduled castes, especially the Madars, takes diverse forms. In the village, the SC dwellings are separate from the houses belonging to people of other castes, and are usually huts or '*Janatha Mane*[5]'. Their houses are located on the village periphery as separate settlements referred to as 'SC *Keri' or* 'SC *Oni*'

[5] A house constructed under a government scheme for the poor, where the walls are made of bricks with an asbestos or tin sheet for a roof.

(meaning street of the SCs). The higher castes do not allow the SCs inside their own homes. This separation is maintained even in local teashops, which do not serve tea to SCs in their cups, with the latter having to bring their own cups and glasses.

In all the villages, the SCs and STs have separate temples. For instance, there are six temples in Bikanhalli, of which four are located in streets where the general castes live. Temples in the SC streets had Madar Pujaris and were open to all from within and outside the village, but the SCs could not enter the four temples in the non-SC streets, and worshipped from outside.

> ***"My mother is a Dai, meaning midwife. The general caste people allow her to enter their homes to deliver their babies. Later, usually after three weeks, when she stops going to bathe the mother and child, they offer prayers through a priest, and light a fire, to purify their home because she entered it."***
>
> \- Sangavva

There were some caste-stratified youth groups, but they did allow friends from other castes to join them. In Mudhaballi there were four youth groups of this type. Most marriages were from within the caste groupings. SCs and general castes lived in separate places, and did not regularly socialise. In Mudhaballi a Brahmin boy who went to Bangalore fell in love with a Muslim girl, married her and brought her back. In the same village, an ST man fell in love with an SC girl, and she became pregnant with his child, he accepted responsibility at a community meeting, then married her and moved into the SC streets with her. He was widely regarded as an example of how a higher caste person (STs are considered higher than SCs in these villages) was loyal and kept to his commitment. In the five study villages there were only two cases of inter-caste marriages involving the lower castes. This phenomenon was totally absent among the higher castes. In fact, one participant from Hosagondabala voiced the majority opinion: "*We don't like inter-caste marriages, it is good to marry within the caste and community.*"

In a discussion in Bikanhalli village, with women and men from SC community about practice of untouchability, Sangamma Pujari, a 60 year old priest of the village SC temple, would not question this tradition. He explained: "*These "paddhatis"*[6]*, have been coming down from the ages; the ancient people must have had something in mind when they made these practices.*" A younger man, standing near a tree outside the temple, then came forward and stood close to the discussion group. He said: "*In the villages, this chance is not provided: of sitting together, eating together, moving together with the general castes.*" When the older man was asked: "*Do you feel that you really are a lesser human being than the higher castes?* He lowered his eyes and head, and said: "*Yes, I am lower than them. I feel that.*" The younger man came forward and in response to the same question, said: *"No, I do not feel lower than them. I feel that we are equal. We are the same. I want to do something about it."* When asked: *"Do you discuss it in the Ambedkar Sangha then?", he replied:*

"In the Sangha we discuss how these caste issues are affecting us, and how to tackle them. We spend more time in discussing the different schemes available to us from the different departments, and how to avail of these benefits. We meet once a month to discuss this, and in between if necessary."

The participants in these group discussions claimed that when the villagers went outside they behaved differently: "*We sit together, eat together, share, touch, make friends.*" The Hosagondabala villagers recalled that two *Dalit* men were murdered in Hallkeri village of Yelburga taluk of Koppal district when they opposed and fought against the local caste system. They said: "*Let the changes come on their own, we wait for that. Demanding and opposing creates fights.*" This does not mean that there is total lack of resistance. Ostracisation was challenged in some villages often, with serious consequences like being jailed or fined, for the scheduled castes. In one group discussion in Bahadurbandi, the villagers related: *"Four years ago, some people from the SC community went to a tea shop owned by a muslim, sat where other customers sit, and asked him to serve them tea in the same cups used for serving the other customers. The owner refused, and said that SCs could not sit in the same place and could not use the same cups as those of other castes. That night, some SC people burnt the teashop; the muslims filed a police case, and the police came and arrested many men in the middle of the night. Women came to know of the whole story only the*

[6] Traditional practices

next morning. Twenty SC men and eleven muslim men were arrested. There are no jails in Koppal, so the men were taken to Bellary jail. The muslims were kept for 10 days and then released. The SC people were kept in jail for three months."

One SC man continued: *"When we were in jail, we faced a lot of problems. There was not enough food for the family members as men who were earning were in jail, and we also had to borrow money to come out from the jail. We borrowed nearly Rs. 35,000 ($778) from friends, relatives and moneylenders to spend on this police case, and our health was also spoiled due to the bad quality food that was served in the jail. The police case is still continuing and we still have to go to the police station in Bellary from time to time, but there is no 'hearing'; we just go, salute the police officer and come back (we waste bus charges though). After we were released and came back to the village, there have been no problems or fights. We have stopped going to the teashop and to the muslim 'colony'. We used to go to their festivals and death ceremonies earlier, to play drums in front of their homes, but now we do not go."*

SCs in Mudhaballi claimed that they voluntarily kept away from the teashops, restaurants and temples of the general castes, and said: "*What is the use of demanding equal treatment and creating an argument, when we have to line up the next morning in front of their doors looking for labour?*" The SCs were aware that they had few resources, were dependent on the landed farmers of the general castes for work, and hence did not resist ostracisation practices.

One old man cited another incidence of ostracisation: *"One of us had started a liquor shop. They forced us to close it. 'Will we now have to buy and drink from the hands of SCs?', they said*", referring to the general castes. When the researcher asked him: *"But you, personally, run a kerosene supply business for ten years now, don't you? They have allowed that, haven't they?*" He replied: "*They don't have to eat kerosene!*", with bitterness and relief. There is more profit in the liquor business than in kerosene, and the general castes had two liquor shops. In this village, in 2001, women's groups had protested and got the liquor shop moved outside the village, but it was moved back into the village two years later. In all the study villages, the general castes and OBCs dominate economic activities and restrict the SCs from owning food and provision shops. For the most part, caste discrimination remains unchallenged, as SCs clearly perceive the link between economic depriviation and social discrimination.

This raises the question about the organisations of *Dalits* that can challenge such norms. Each village had a forum for SCs called the Ambedkar Sangha, comprising mostly of members of the Madar community and other SCs. The Ambedkar Sangha met regularly, usually at least once a month, to discuss how to benefit from official schemes. The village Sanghas had links with similar Sanghas in neighbouring villages, and with the *Dalit* Seva Sangha at the district level. The *Dalit* Sangha fought for their legal rights, against harassment and to stop the *devadasi* system. The district Sangha was also connected with the State level association. The Sangha met twice a month, usually with an agenda to conduct political rallies. The Sampark staff did not expect much from the district level Sangha. One explained: "*The Sangha organised events like mass-marriages. One such one-day-event was conducted with the local politician bearing all the expenses of the marriages, 40 marriages were conducted that day, but all the girls were less than 13 years of age! Politicians just don't question existing norms that should be changed, instead, they perpetuate these. In any case, the politician did not even find out the age of the children before he organised the event.*"

There were a few leaders among the scheduled castes in four study villages who resolved conflicts within or among SC households. The most critical issues of ostracisation, and untouchability, are however not resolved at the leaders' meetings described above.

Discrimination was found in women's SHGs too. SC women brought their glasses from their homes for tea, even for SHG meetings. When they came to Sampark, for training programmes, they ate together, but when they were in the village, they did not dare to break the caste system. The Matangi group in Bikanhalli village, at first had members from SC and general castes. The meetings were conducted usually inside or in the veranda of someone's house. SC women either had to sit on the floor while others sat on the raised platform, or they had to sit on the floor of the house opposite the street, and after a few meetings, the groups separated on the basis of castes.

> ***"When we come out of the village, and we are in Sampark, we follow the rules set by Sampark, where everyone is equal, and we do not mind this. However, when we are in the village, we have to follow the rules set by our religious leaders. There is a priest who comes to the village and who has given a special status to me. We have to follow what he says. If people do not keep the rules of separation between the higher and lower castes, it is my duty to tell him, and then he will ostracise not only them but me as well. See, I wear a 'thali' (pendant) given by him. Every evening women come and touch my feet because he has given me the thali. We have to respect his wishes. So, in the village, we keep to our customs, when we come to Sampark, we follow your customs."***
>
> - Neelamma, leader of an SHG

Thus, the practice of untouchability continues in these villages, and SCs appear to accept it, with few inter-caste marriages. The caste institutions do not challenge untouchability practices, or are relatively ineffective in doing so, because of economic dependence and fear of strong reactions from the general castes. The *Dalit* institutions at the district and state level restrict themselves to political rallies and events, and accessing official resources and benefits for fellow caste members, with less direct concern for social exclusion.

4.2.3 Marriage Norms

Other examples of collective orientations include the child marriage custom arising from the concern that, if girls are not committed to a socially valid sexual partnership soon after puberty, they are at risk. Parvathamma, who got her daughter married in 2000, explained:

"My daughter was married away when she was eight years old. Huligavva from Bhagyanagar brought a match for her. Everything went well so I fixed her marriage. In our custom we do not lose a good opportunity to marry off a girl. Three years after marriage, she attained puberty, and one year after that I sent her to her husband's house. I took a loan of Rs. 3,000 ($67) at 10 percent per month for her marriage, and paid it over four years."

Lakshmavva likewise stated:

"In our community, if the girl stays at home three years after puberty, then it is difficult to get her married and we have to give a lot of dowry and spend more money. We can't give dowry as we live a hand to mouth existence, how can we save? My sons have to work and save, only then I can give her to a better place (family with a better economic position), else we just have to give (marry) her to a place which matches our own economic conditions."

Similarly, customs of joint marriages arose due to high social expenses during marriages, which could lead families into either debt, or bonded labour, which took several years to resolve. Sangavva recalled:

"When I got the elder son married, I decided to get the second son married too; he was 13 years old. This is the custom among us. Moreover, if I delayed the marriage of the second son, I was not sure that we would be together: if the elder one has separated by then, it would be difficult for my younger son and me to bear the marriage expenses."

Sangavva's younger daughter-in-law was 3 years old at the time of marriage. These customs of child marriage, *devadasi* system and bonded labour persist in many villages despite legal bans, and are associated with the social and economic situation of the families.

Though girls from general castes marry at a higher age (usually after 14 or 16 years), other conventions are still a constraint, e.g. norms of widow remarriage. Gangamma, daughter of Rangamma, lost her husband at the age of 16 and returned from her husband's house to her parental home. Even though the law permits remarriage, caste norms did not. Her parents did not challenge it, largely because they feared the that they may not then get offers for the marriage of Rangamma's son. Even though the mother was concerned about settling her daughter and looked for vocational training and jobs for her, she did not dare defy caste norms to get her married a second time.

4.2.4 The *Devadasi* System

The old custom of offering young girls to the service of village deities persists in many villages of North Karnataka. These girls were traditionally called *basavis,* or *devadasis.* Originally female dancers and singers attached to temples, the term *devadasi* literally means 'female 'servants' of the deity.' While *devadasis* were dedicated or 'married' to the temple deity and not allowed to marry mortal men, in fact the practice involved sexual partnerships with men outside marriage.

Although the *devadasi* system is illegal, it continues due to a confluence of economic, social and cultural factors. Girls were made into *devadasis* for many reasons. First, because parents saw this as a solution to their insecurities, thus ensuring that the girls would live with them and support them and their family. Second, if the family experienced ill-health of a child or adult or if a number of childhood deaths occured, the parents promised to dedicate one girl child to the god in return for an end to the illness or child deaths. Third, families dedicated unmarried girls who had attained puberty, usually due to social pressure or fear for their daughters' continued virginity. Further, girls who belonged to devadasi families were at greater risk of being dedicated (Chidambaranathan, 2002).

Shivavva and her sister were both made *devadasis*. When Shivavva said: "*I do not understand why my parents could not have married at least one of us, I was too young to know at that time*", her aunt explained: "*Your parents already had the experience of one of their children dying. Even if one of the girls had died, the other devadasi daughter would still have been with them. Also they wanted grandchildren to be with them, which would not be possible if both of you were married.*" Thus, villagers explain devadasi dedications on both cultural and economic grounds.

"I don't like this life. If I had got married, I would have been someone's wife, and would have stayed in the husband's house. I have been made a 'basavi' so I have to stay here, it is both husband and mother's house. In husband's house, he would have held the responsibility, here I am like a man and all the responsibility is with me. I have to invite all my sisters and their family members during festivals and other functions. If I omit any one, that person blames me for denying her and treating others to the family property. They feel they have the right to question me. When my sisters come to my house, they ask me to give gold, silver, clothes, etc. Sometimes when I get new clothes, they take these away, saying 'we are staying at husband's place, you are here, why do you want new clothes?' If I had gone to my husband's place, I could also have come and made demands like this. When they come or send their children, I have to do all the work, and I feel tired. If I had got married, I would also have had a chance to come and stay in my mother's house and get some rest."

- Sangavva

The relationships of a *devadasi* with her children and parents are very deep. The relationships with a partner begins on a transactional basis - he provides economic support to her family and in return has sexual relations with her. When he gives economic support and emotional support to children she then affirms the relationship. However, it is rare for a partner to care both for her and her children's health, and also spend time with children, for example giving advice about their work. Most partners nevertheless have long-term relationships with *devadasis*. When they have a particularly good relationship, the *devadasi* typically feels that they are like husband and wife. When he does not provide support, misbehaves, beats or speaks badly and extracts money from the *devadasi*, she can terminate the relationship, even though few actually do so, despite extreme hardship (Ibid).

Parvathamma elaborated the difference between *devadasis* and married women:

"*Devadasis have relationships with many men, so they cannot fight or argue, they have to take a lot of abuse from the partners and cannot retaliate. Married women, on the other hand, may do all this without fear of the man walking away. You know there is a popular saying that 'the quarrel of a man and his wife lasts only till they sleep together'. This is true. They console each other and they do not face the kind of problems that we do. The wife can bravely ask for what she wants and it is the husband's responsibility to fulfil the request. We devadasis have no such rights. Our commitments increase, that is all.*

Talking about myself, my father is working hard now, but in the years to come, as he grows older, I will have to look after him. I also have to look after relatives who visit us, however difficult it is to do so; we devadasis have to do these things. Now, if I think of my children, how shall I get them married when they grow up, I wonder. Who will come forward to marry them? People may think: 'They are after all, children of devadasis, who knows what bad morals the daughters might have picked up from their mother?' When I think of all this, how easy life is for married women!"

Sangavva said, with evident sadness: "*Very few devadasis get good partners who look after them well. In many cases our lives are very tough, there is no moral or economic support from partners. They doubt us unnecessarily as though they give us everything. We have to stay in our house permanently and the complete responsibility is with us. In married life, even if they have problems, their life is much better as they have status. People know that we are devadasis, so any man can approach us without thinking; we can't fight with them, we simply keep quiet.*"

Lakshmavva, too, believed that it was important to stay in a long-term relationship with one man:

"*I had no brothers and sisters, and I had to look after my mother, so from a very small age I knew that my mother would make me a devadasi, and I never thought of marriage. That is why I had the relation with Shivappa. A married girl has to leave* *her mother's home, listen to mother-in-law and father-in-law; but in devadasi life all the responsibility is with me. I have no fear, for these days parents-in-law give a lot of trouble to a woman. Devadasis live in the same place till they die. I have a relation with only one man, and plan to keep this in future, too. There is no use in having relations with many men, as people look down upon you. The only thing is that when one is old, there is no one to look after a devadasi, while a married woman would be looked after by her husband.*"

The *devadasis* felt deprived of the right to have a husband, and having a traditional home like the married women. A *devadasi* has several disadvantages: belonging to a lower caste, parental dependency, being single parents themselves, and having no right to land or property of partners. In 1982 Karnataka banned the dedication of women as *devadasis*, yet several women were dedicated for the next 15 years. The government does not recognise any *devadasis* dedicated after the previous census of *devadasis*, taken in 1975, yet there has been no social campaign against this.

"Both my mother and my partner asked me to wait until I get a female baby, but I did not listen to them. I knew what it is to be a female, that is enough; my child should not go through a similar fate, so I decided to stop after two boys. In case I had a daughter, I can get her married, because devadasis can get their daughters married, but even then she would only identified as a 'basavi's daughter'. So I took a strong decision not to have a female child'

\- Sangavva

The women have no recourse to law or to any social forum, as the *devadasi* practice has social sanction. They realised that economic insecurity of their parents compined with caste-related institutions had denied them a right to marriage, and thought their situation was unchangeable. Even though some married when an official scheme for marrying *devadasis* was announced, they are still socially criticised for defying religious oaths. Many believed that their parents, including their mothers, had decided in their own self-interest rather than that of their daughters, to make them '*basavis*'. These women felt strongly about it and thus ensured that their own daughters would get married. The *devadasi* dedication stopped almost completely nine years ago in the study villages, when SCs themselves decided to stop it. Women said: *"It is not good for the girl, and for the houses in the street, if someone just visits her from time to time. It's not a good life. It's better if a woman is married."*

Later, *Dalit* institutions also took it up as a political issue and held rallies in the districts of northern Karnataka. There was a 'street-order' that in every street, every girl should be married and not dedicated as a *devadasi,* and SC households themselves began to monitor this order. The Sangha tries to arrange the marriage of girls who have been dedicated despite the order. However, in the two villages of Kavalur and Sindhogi in Koppal, one or two women continue to be dedicated as *devadasis* every year.

To summarise, the demographic profile of the study villages showed high levels of illiteracy. Eighteen percent of households belonged to lower castes and caste discrimination was practiced in rural homes and temples. Child marriages were a norm and marriages made major calls on household finances. In social terms *devadasis* were ranked lowest, and suffered the most as they had a low capital base, and little support from their partners to meet livelihoods needs. Social, cultural and gender denominations were thus critical to economic and other forms of deprivation and oppression. Often formal legal frameworks and the enforcement mechanisms, including the police, did not seek to protect the victims of the *devadasi* practice. Microfinance agencies did not address these socio cultural issues, and refer economic and finance related interventions instead.

4.2.5 Gender Related Issues

Gender inequities were inherent in the local household and family space. The male contribution to the household could not be taken for granted. For these case study participants, the situation varied from household to household, but women were usually the primary caregivers, responsible for providing family sustenance.

The *devadasi* partnership was akin to a polygamous situation. If the partner was married, his first responsibility was to his wife and children. He was expected to provide for the *devadasi* and her family, but this obligation was not socially enforced.

If the partner was not married or not responsible to his own family or separated, he sometimes retained the partnership with the *devadasi* for a long period and maintained her family. He experienced little social pressure or legal obligation to stay with the *devadasi*; he could terminate the relationship whenever he desired. Usually partners (single or separated) from the same caste as the *devadasis* were more responsible and bonded more with them and their children (Chidambaranathan, 2002). In general, in the study villages, the support that *devadasi* women received from their partners was nil or minimal, barring a few exceptions. Given the relative lack of assets of the *devadasi* households, this lack of support from male partners put a disproportionate burden on such women.

> ***"When Reddy's family members started looking out for a girl for him, he came and asked me whether he should get married or not. I said: 'Get married, because you also need children and a wife.' He replied: 'I have three children with you. Why should I marry for children?'. 'My children and I can't be your children and wife. Your caste and family members will not accept that, so you get married. If you don't want to marry, people will think that I told you not to marry. Then they will blame me saying: 'That* sulagi *got hold of Reddy and won't allow him to marry'. Also, your parents have lots of lands and assets. Only if you marry will you get them; otherwise they will not give you the assets. Why give up all this? It is better for you to get married' I told him. Because I forced him to get married, he got angry and fought with me. He said, 'I loved you so much, stayed for more than 10 years with you, and we had three children. Now you are asking me to get married. You are not interested in living with me and are asking me to leave. Maybe you want to have a relationship with somebody else and that is why you are forcing me to marry.' Finally he accepted my suggestion and got married."***
>
> \- Nagavva

Nagavva and Lakshmavva formed relationships with their male partners before the latter married. Their relationships were like those of married couples, yet social customs did not acknowledge them as such. Both women permitted, even encouraged, these men to marry other women. They felt that such 'selflessness' was necessary if they did not wish to be admonished as 'prostitutes' who 'cling on' to the men for 'selfish' reasons. After these two men married and had children, the two *devadasis* lost financial and emotional support, and were among the poorest in their villages. These two *devadasis*, still in their early thirties, and with small children, depended on their own earnings from wage labour, and struggled very hard to meet their daily needs. Yet, *devadasi* women themselves exonerate their partners from the responsibility of providing support for their households. Nagavva says she feels sad that he does not care for her any more, nor does he provide as much financial support as he did earlier, yet she herself provides an excuse on his behalf: "*Now he has a responsibility to his own wife, I should now earn for my father and children and not expect much from him.*" In a similar situation, Lakshmavva says: "*He is a poor man, and his wife is just like me, how can I expect that he cares for me and my children more than for her and her children? After all she is his wife and I am a devadasi. I have learnt to earn and care for my mother and my children.*"

These two women were the poorest women among the case study participants. The other three *devadasi* women had more than two partnerships and fortunately at least one of the partners supported them and their children well for long periods of time (15-25 years), even if the children were from an earlier partnership. With support from their male partners they were able to bring up their children and reached a stage where they could earn for their family. Yet, when asked why she did not marry her long-term partner, Sangavva responded: "*Even if I get married, the label of 'devadasi' will remain. Villagers will also accuse me of breaking the promise to God for just a little bit of money and material comfort.*"

A related preference is for staying in one long-term relationship, and not to change partners. Parvathamma is 'practical' and also humorous, and said:

"*This man who I have taken on lease, let us see how long he stays and how he cares for me*", reflecting the deep-seated fear they have of losing their partners, at the same time evaluating them and keeping a distance so that they can accept a break of the relationship if it should ever become necessary or inevitable. It is this precarious balance which these women deal with all their lives. Such women are not necessarily risk averse, they are just subjected to a constant risk of losing the most important relationship of their lives, and thus deep impoverishment. The risk of loss of status and dignity is as important to them as risk of material support.

Devadasis know and accept that they 'cannot expect to be treated like a wife'. Such gender inequality is socially sanctioned; the man gets a second wife, without bearing either the expenses or the negative socio-legal consequences. Among the non-*devadasi* women participants, Mariyamma's husband supported her and the couple worked side by side on their own and in other people's farms. Mariyamma had decision-making power and control over money, too. Her husband let her participate in social forums and the group at the village level. Kaveri was dominated by her husband and less independent, as both a member of the family, and as a leader of the *Taluk Panchayat.* Men completely dominated the house by controlling cash and decision-making. She even felt that her house was 'like a jail', with no freedom to ask or share anything. In one interview she said: *"I cannot even note the expenses and income of the household, if I ask my husband he shouts saying you are not the one to go and buy things so why do you want to know? I have now just stopped asking, I just cook whatever is there and serve him, and if he takes me anywhere I go with him, then come back and care for the children. I feel bad to talk about anything at home."*

The family was 'politicised' in Kaveri's case. Her husband's political ambition dominated the family and she was frustrated as a result. This lowered her confidence and she could not lead either the group or the *Panchayat.* In one interview she complained: *"It is impossible to help people, and simply leads to a fight at home. I am fed up with all the bickering about whom to recommend for government benefits. My life was much better before becoming a member of the taluk panchayat. Politics is very boring."* However, towards the later months, she became corrupt too, and in her own words, became part of *"the system."* She also became a sales agent of a company selling utensils through an instalment system, achieved good sales, and got a mobile phone and some jewellery as incentives. This enabled her to have an income of her own, and she became more confident both at home and in public domains. Similarly, Sushila was the sole earner of her family, her husband did not earn, and used her money to drink and beat her each evening. She did not send him away as she believed that a woman needs a husband, just to maintain her dignity in society.

The women who were solely responsible for the care of their parents and children particularly felt the burden of such responsibility, especially if they were poor.

Rangamma, Sushila, Lakshmavva and Yellamma's stories showed that they would in fact benefit from *more* contribution from their husbands and partners. In fact, Rangamma had been able to organise this and benefit from it. Among the higher castes and classes, women had more support from their parental homes, and their families were closely knit, so they did not suffer the same emotional isolation and exclusion as *devadasi* women. Yet, it was difficult to get men to contribute to family income and expenses when they did not want to, as in the case of Sushila, or if the men were not obliged to do so, as in the case of the *devadasi* women. The parents of the *devadasi* women took the decisions about dedicating them as *devadasis*, their first sexual relationship, and even terminating the relationships with partners. The *devadasis* had little control over their reproductive lives in their formative years. The major responsibility of maintaining the family stayed with the *devadasis*, though the children and other family members contributed their earnings. Those who had been through early sexual relationships, especially the *devadasis*, recalled the experience of lack of control on their reproductive lives. Lakshmavva said:

"I didn't know about sex at that age, but my mother told me: 'He will have relations with you, obey him and stay together husband and wife'. My mother talked directly to him and demanded all that he was supposed to give, and asked him to look after me like his wife. I didn't talk to him; I was made to have sexual relations at the age of 13 years, at that age what did I know? I did what my mother told me."

These women did not always see heading a household as a privilege. Sangavva's son was hoping to complete his studies and get a government job; instead he remained unemployed as he did not pass his exam. He said:

"Everyone knows that I am the son of a devadasi, children in school did not look at me differently. My mother's name was given as the initial in my school. If I had passed the 10^{th} class, I could have got a job as a clerk in a government office, as the son of a devadasi I would have had priority. I want to complete 10^{th} and try for a job."

Sangavva intervened: *"If I had got married, he would have had a father, who might have been strict and made my son study. The son would have also listened to his father's words and completed his 10th standard. He did not listen as I am his mother, and he failed."*

The privileging of males was thus deep-rooted in the individual beliefs of the women themselves. Recent research in Koppal district has found variations in health-seeking behaviour based on caste, class, gender and age. Those who depended on self-employment and casual labour, and had insecure household economic status, were more likely never to treat girls/women for short and long-term illnesses. Deeply ingrained gender norms were also considered to play a role in this, whereby women imbibed from an early age low self-worth, low recognition of their own needs, and "a value to suffering in silence" (George et al, 2005). The case studies of women show that this self-denial extends not only to health but also to several other domains, whereby they shoulder responsibilities but do not get the position in society that their work would merit.

The village society is thus found to be highly caste-stratified with significant caste/ class overlaps. The lower castes and especially *devadasis*, are among the least resourced households. The caste organisations, were oriented towards accessing government grants, and did not challenge practices due to economic dependence. Seen in this way, the social capital in the villages appears weak, with high levels of social exclusion of the poor.

4.3 Institutional Context

The institutional context of Koppal district is examined in terms of basic facilities in the villages, government schemes, and the presence and activities of NGOs. The microfinance context is outlined in terms of the number of groups, facilitating NGOs, and the banks and their practices.

4.3.1 Basic Services Provision

The physical infrastructure supporting people's livelihoods in the villages studied is presented in Table 4-8:

Table 4-8: Infrastructure Facilities

Facilities	Chukkanakal	Bikanhalli	Hosa-gondabala	Mudhaballi	Bahadurbandi
School	Primary school	Primary school	Primary, Middle and high school with hostel	Primary school	Primary school
Drinking water sources	4 public tanks	3 public tanks, 2 borewells[7]	3 public tanks, 6 borewells, 10 public taps[8]	3 public tanks, 5 borewells, 8 public taps	2 public water tanks, 4 bore-wells, 11 public taps
Sources of Irrigation	10 bore-wells	29 borewells	20 borewells and lift irrigation project from government	30 borewells and lift irrigation project from government	6 borewells
Local health providers	ANM	ANM[9], RMP[10]	ANM, RMP	ANM, RMP	ANM, RMP
Women's groups	8	6	5	12	8
Youth groups/ Farmers groups	-	1 1	1 (Muslim association)	2	2

There are primary schools in each village, and a high school in one. SC children who pass the 4th class examination, are eligible for a scholarship of Rs. 75 ($1.66) per year at the middle school level and Rs. 100 ($2.22) per year at the high school level, with an additional incentive of Rs. 500 ($11.11) per year to complete high school. Scholarships of between Rs. 90 ($2) and Rs. 190 ($4.22) per month are provided to SC children who continued their studies beyond the 10th class. SC/ST children living in remote areas have provision of accommodation in residential schools; but as the facilities are limited, the selection is competitive. Such facilities and incentives are provided by the caste institutions for the general castes and OBCs. Koppal district

[7] The borewells for drinking water are dug by the government, inside the villages, and are for public use, whereas those on farms are dug by farmers for irrigation

[8] In the three villages with public taps, pipelines have been laid to take water from public tanks to different streets within the village

[9] Auxiliary Nurse and Midwife

[10] Rural Medical Practitioner (though the term is also expanded as 'registered' medical practitioner, they were in fact not registered at all.

has schools, colleges, hostels and a hospital established and managed by the higher castes. These organisations not only facilitate education, but also provide venues for employment.

PRAs and Sampark reports, however, show that the quality of village school education was considered poor, which, combined with local poverty, led to dropout rates of 37% in pre- middle schools, and 61% in high schools. Sampark group statistics about group members' children found 29% in the age group of 6 to 20 had dropped out of school or pre-university college. Among the SCs, 22% of children did not even enrol in schools, with a further 43% dropout rate at the primary school level (Sampark, 2006). The official schemes to ensure high enrolment and retention created pressure on local officials to show that many dropouts were later enrolled back into schools, and they manipulate official records accordingly. The government established School Development and Management Committees (SDMC), but these meet only once a year to discuss fund allocation; monitoring of school functioning and education quality is weak. Only two local NGOs, Eklavya and Sampark, were investing their resources in children's education.

The health infrastructure in Koppal district is based on population norms, with fewer health sub-centres in Koppal than suggested by these norms. Each village has an auxiliary nurse and midwife (ANM) visiting them periodically, primarily to attend to pregnant and lactating mothers, and ensure immunisation of children. Official health services are not adequate, making it imperative for citizens to travel to Koppal town to access them. Where villagers have to commute 15-20 kilometres to reach a hospital or clinic, they first depend on local and indigenous treatment, which is both affordable and more accessible, but only effective for common ailments. Four villages have RMPs, private doctors who provide door-to-door medical services every day or every alternate day. Chukkankal, which is close to Koppal town, has good transport connections so RMPs do not need to visit there. There were drinking water sources in each village, though many still experienced water scarcity in summer months. The government health system in Koppal was judged by the Karnataka Task Force on Health and Family Welfare (GOK, 2001) to suffer from problems of corruption, lack of equity and neglect of public and primary health care. The Koppal health care market is dominated by informal providers, of whom many were unqualified men, leading to a "combination of an unaccountable government health system and an unregulated private health system" (George et al, 2005:19).

4.3.2 Official Poverty Reduction

Officially, many schemes were implemented through NGOs with the SHGs as platforms to achieve their goals regarding women's empowerment, credit and income generation and health. During the research period, the Karnataka State Women's Development Corporation (KSWDC) implemented two microfinance programmes, from 1999-2001 (Mahila Arthik Samavrudhi Yojane, MASY) and from 2002-04 (Women's Empowerment and Development Programme, Swashakti). Both were centrally funded, the latter by the World Bank, and both were implemented through NGOs specially contracted for the purpose. Central government was directly involved in promoting groups under a scheme named *Stree Shakti.* Government departments also worked on education, drinking water and sanitation, health, housing, electricity and irrigation facilities for agriculture through local government organisations, at the village and block levels namely *Gram Panchayat* and *Taluk Panchayat.* An assessment of these programmes was made based on focus group discussions with case study women, villagers and the staff of Sampark.

The most important government scheme was the SGSY (Swarnajayanti Gram Swarojgar Yojana), under which the government had merged all its previous self-employment schemes like IRDP, TRYSEM, DWCRA, SITRA, Ganga Kalyan and Ten-lakh Wells programmes. The assistance from the scheme was provided to BPL families through SHGs, therefore group-formation and the link with banks were potentially critical. The former was divided between Anganwadi workers and NGOs, depending on which government department was engaged with the scheme. The credit link was monitored through District Level Credit Committees, as has been the case over the past three decades.

The schemes found most beneficial were those that provided housing and electricity, namely the Ashraya and the Bhagya Jyothi schemes. Across all the research villages, *devadasis*, SC/ST people and also the poor families from OBCs, could benefit from these schemes. Rangamma, Shivavva, Lakshmavva, Nagavva and Sushila got a house each under the Ashraya scheme, and Parvathamma got a house under the *devadasi* rehabilitation project. All got electricity connections under Bhagya Jyothi scheme. In a research study conducted by Sampark covering 31 *devadasis*, the women stated that the scheme for land distribution for SCs and *devadasis* has been the most beneficial, as the housing conditions improved the ability for other income generating work, including *coolie* labour (Chidambaranathan, 2002). Other schemes found beneficial were 'Ganga Kalyan' (assistance for digging for borewells), and scholarships for students. The Integrated Rural Development Scheme was generally known as the 'buffalo scheme', the popular name for this scheme, as assistance under the scheme was given only for purchase of buffaloes. These poverty reduction schemes were based on a target-oriented approach, but targets under these schemes were not always met, as in the case of the District Industries Centre (DIC), which could not implement its major vocational training programme for women due to shortage of funds.

Devadasis felt particularly left out, and Yellamma narrated several incidents when leaders or brokers of government schemes had cheated her:

"We haven't got any of these government schemes in our village, though the neighbouring villages have benefited. Our elders have done nothing for us though they know that Devadasis live here - if by chance something does come our way, they grab it first...

Recently, an MLA had come to our village and when we went as a group to meet him he said that he had received information that there were no devadasis in our village. He couldn't do anything himself, he said, as the Congress party had come into power now. He would have to go and meet some people to see what could be done. I have no hopes that anything will come of it.

I know about the devadasis scheme, they get land and house but I don't know whom to contact and ask. Someone said that there is a woman called Swaravva who belongs to our caste, is a member in the municipality and she knows about the devadasis scheme.

Then all of us devadasis had a discussion about this and went to see her. When we met her she asked us which village we had come from. I told her that we were all from Hosagondabala, all 12 of us were devadasis, that we did not know about official schemes for us and had not received any schemes or loan facilities because our village elders are not good and if she knew any schemes to tell us. She told us that she needed our documents and that this work would cost money. She said she would inform us when we met next time. So we met her next week and she said that it would cost Rs. 1,500 ($33) per person. We believed her: some sold their 'thali' (pendant) and some their cow and calf. About 20 people gave her money and even I sold my cow for Rs. 1,000 ($22), which I gave to her. We have not yet received any benefits. We worry a lot about it; instead of giving her the money, we could have spent it on food. We simply wasted the money. After that, we have not discussed this with anyone; it would be of no use, so we have kept quiet. We won't break our head if anyone tells us about schemes now. No one will come forward to help devadasis. The Government and Panchayat always ignore us. No government scheme is available for us.

In my house, the male members are not responsible, and we don't have many contacts so we have not received any benefits. One year ago, they told me that there was a toilet available in the name of my son so we went to the village head, who is a member of the panchayat, and asked him to build the toilet in front of the house where a little room was available. But the elders and the panchayat members told us that it is in the name of some other person and not for us. The one that was sanctioned in our name was given to some other person. What to do in this world where we find more cunning people who value only money? So I felt bad. Though we are devadasi we don't get any benefits. The mother of my daughter-in-law is a devadasis in Bahadurbandi, where three acres of land has been given to devadasis but nothing is available in our village. There is a person named Kapathappa who lives in our Keri, who has taken a loan of Rs. 20,000 ($444) from the bank and has built a house. He has taken a loan even in the name of his wife. Now we have formed a group and if there is any scheme we approach it as a group, so at least we can benefit from the scheme. All government schemes are available only for rich people and panchayat *members and not for us. So I feel angry about this scheme, I have nothing much to say about the scheme!*

Then Eshappa had come and he said that there are houses being given for devadasis so we went to him and gave him Rs. 50 ($1.1) and 4 photocopies of the bond paper, caste certificate and other documents, but till now, no scheme has come. My son Devappa went to take my photo and the caste certificate. I have wasted a lot of money and till now I have no benefit, so this is the last time I am trying with Eshappa."

In the water and land management programmes, the Zilla Parishad (ZP) provided 25% of the cost of digging borewells in their lands under the irrigation scheme. The banks sanctioned this loan and the ZP released it to the farmers. The government implemented a watershed development programme covering certain villages. In the PRAs, villagers judged that:

- The emphasis was on project implementation, not sustainable management of natural resources (SNRM);
- The SNRM projects had a limited outreach and were limited to construction of *'bunds'* ; and
- Government was able to implement plans that involved material and labour but they could not succeed in getting active participation, contribution and creating impact on livelihoods.

Official soil and land conservation and rural development programmes were based on grants and projects executed directly by the departments and NGOs. Even where community level forums were organised for their implementation, the local contribution required ranged from 10 to 30%, based on household landholding, and eligibility to secure the balance as a grant. There were no community level revolving loan funds or credit programmes offered for farmers to collectively ensure soil and water conservation measures on their lands (Premchander et al, 2003).

Thus, discussions showed that official services were inadequate for meeting education and health needs. The local institutions do not demand official accountability, and government support to agriculture is ostensibly through land and water management programmes, which suffer from inefficiencies, as do the poverty reduction schemes of the government. Group discussions in the villages did, however, highlight certain positive changes. After Koppal was designated a separate district (from Raichur), it acquired the status of the district head quarters. The Deputy Commissioner and Sessions Court are now in Koppal town, while previously they were located in Raichur, six hours away by bus or train (190 kms.). Similarly, several government departments opened offices in Koppal, e.g. Education, the District Industries Centre, along with several banks. More credit became available because of a policy shift, which the District Level Credit Coordination Committee in Koppal had to implement. However, this was mostly channelled in ways that did not benefit genuine SHGs, and benefits were derived by unscrupulous NGOs.

4.3.3 NGOs as Development Organisations

Another factor influencing women's livelihoods concerned local development institutions. The institutions engaged with development or poverty reduction in Koppal include NGOs, government departments/organisations and banks. Local informal organisations include women's SHGs and youth forums. The villages had women's SHGs formed by the government and Sampark, a local NGO. Local youth forums existed in four villages, while Bikanhalli had a farmers' group organised by Sampark.

Of the 17 NGOs located in the district[11], 10 were engaged in microfinance support, implementing various livelihoods activities such as education, skill development, income generation, health, watershed development, empowerment of women, agriculture and forestry development. These activities were implemented through the establishment of 550 women's SHGs. All NGOs worked with official schemes as well as their own small projects. Sampark had the objective of poverty reduction and empowerment, particularly of women, by promoting people-owned and managed

[11] A list of NGOs in Koppal is given at Appendix 1

forums, building their capacities and linking them with mainstream institutions for improving livelihoods. Its major focus was upon credit and income generation, education, empowerment of local forums, and agriculture and natural resource management. By 2005, it had promoted 120 groups and a farmers' forum to implement further activities, and it also worked with other organisations to provide training, research and advisory services. Only two NGOs, Sampark and Ekalavya, had long-term commitments to work in specific villages. NGOs were engaged in implementing a wide range of time-bound projects for government or donors. SHGs and other villagers expected NGOs, including Sampark, to make linkages for official support (Bhagya jyothi schemes, subsidised credit, etc.), so it was expected that NGOs would channel resources from external sources.

In this scenario of external agents engaged with rural development, there were very few locally owned and managed organisations. An exception was a porters' union, known locally as the Hammali Sangha. The villagers explained that this organisation was registered in 1994 under the Indian Trade Union Act of 1926. The 450 founder members comprised workers who did loading and unloading of goods from lorries and trucks. The original membership fee was Rs. 11 and it grew to 1,000 members with a membership fee of Rs. 10,000 ($222). The previous President of the Sangha, who had admitted many members, had absconded with their membership fees, and so from April 2004, the Sangha only admitted one new member per month. Its membership fees have been used for members and their families' welfare. The Sangha purchased nine acres of land and built 500 apartments, which were sold to members at reduced rates. It disperses loans for marriages, festivals and other social functions. It provides Rs. 6,000 ($133) on the death of a family member, and has linked up with the Life Insurance Corporation of India to provide cheap medical insurance. The Sangha has an annual earning of Rs. 80,000 ($1,778) from the fees it collects from lorries that enter Koppal carrying goods. The Sangha is well managed, with its own paid staff, and members posted in agricultural markets in the town to ensure that the members obtain work at the negotiated daily rate. The negotiating partner for the Sangha is the Traders' Association in Koppal, which fixes the 'hammali' rate for the porters. All the 1000 members can get work every day, and there is a demand for yet more workers, which strengthens its bargaining position.

The Sangha is an example of a local member organisation but there are few others. In another sector in the informal economy, human hair processing, where Koppal has over 300 units, the employees are mostly women, wages also paid on a piece- rate basis, and labour is not organised into a similar trade union. Most of the NGOs that have engaged in formation of women's groups have organised trade unions or strong federations, have only formed groups based on needs of externally funded programmes, most do not supervise SHGs after closure of these programmes, and most women's groups continue to be fragmented, unsupported and unregulated.

4.3.4 Microfinance Organisations (Banks and Cooperatives)

Cooperatives were a major source of rural credit, and Koppal had 529 of them, of which 94 were credit cooperatives. The total loan to cooperatives was Rs. 51 crores (Rs. 510 million, $11.3 million). However, nearly a quarter of these cooperatives were defunct, and loan recoveries were low (SBH, 2004). The second source of rural credit was commercial and regional rural banks. Ten NGOs had promoted SHGs here and were involved in savings and credit activities for improving their income. Their groups were linked with banks for loans and also with government schemes. The linkage with subsidised programmes continued to be problematic, as illustrated in the following case: A farmer with 60 acres of land had 30 families of agricultural labourers working for him. On the advice of a local NGO, he sold a portion of it to government, which then granted a housing loan and developed a 'colony' for labourers, which essentially housed the agricultural labour employed on his lands. The NGO also formed a women's SHG with the labourers' wives and in the first and only meeting held by the SHG, a revolving loan fund of Rs. 25,000 ($556) was sanctioned under the DWCRA scheme[12]. The money actually went to the landlord, whose brother was a local politician, and not the women who had put thumb-impressions for it. The NGO, on the other hand, gained a reputation for its own efforts in this respect, and was assigned the role of a facilitator for the 10 groups targeted under the scheme in Koppal district for the following year. When questioned, the local bank officer explained: "*We have to meet the targets for credit to*

[12] Development of Women and Children in Rural Areas: A government scheme that provides a grant to SHGs as working capital for businesses to be started by the women members

the priority sector. We also have to pay heed to local politicians. And if an NGO has political links, it will definitely get government recognition too."

This situation existed in 2002, but it changed significantly by the next year. In 2003, when the banks and the government sanctioned subsidised loans to ten groups on political considerations, Sampark groups, who had also sent in their applications, protested. They wanted to know why their applications, despite the good financial operations of the groups, had been rejected, and why other newer and less accredited groups had been granted the subsidy. The then district official took cognisance of this complaint, resulting in two of the Sampark-facilitated groups getting subsidised loans in 2004 and 2005. However, as a consequence of the protest by 'Sampark groups', the NGO was dropped summarily from the membership of the DLCC, and this denied access to crucial information about credit policy intervention.

At this time, the banks offered only government-subsidised credit to the SHGs. Local microfinance was dominated by customary attitudes. Credit coordination was done through the District Level Coordination Committee (DLCC), where decisions on the targets for priority sector credit were taken. The number of SHGs eligible for subsidised credit was limited, usually 8-10 SHGs per year for the whole district, with 2-3 SHGs for Koppal *taluk*. A total of 44 SHGs in Koppal taluk had received bank credit, of Rs. 45,87,500 ($101,944).

In 2003, the local RRB, Tungabhadra Grameen Bank (TGB), changed its attitude and started extending regular credit to SHGs. It provided non-subsidised credit to 42 groups of Sampark between 2003 and 2005. The other banks continued to be conservative and limited in their reach to SHGs as shown in Table 4-9.

Table 4-9: SHG-Bank Linkage in Koppal *Taluk* (2005)

Banks	Sampark SHGs with bank accounts	Sampark SHGs with bank credit
RRB (TGB)	32	42
Commercial Banks	75	2
Total	107	44

Thus, commercial banks did not provide non-subsidised credit, leaving the rural poor in Koppal taluk with only two SHGs linked for subsidised credit, and except for those who managed to link with TGB, rural credit needs were largely met by local informal sources of credit. The situation of Sampark promoted groups was particularly difficult, and when official subsidised credit was extended to over 40 groups of Koppal taluk in the year 2005-06, none of the Sampark-promoted were among those who benefited.

High Cost Credit

> ***"I took a loan of Rs.2500 ($57) from our landlord, without interest, for my sons' wedding. My son repaid this loan by working in their house from morning till evening for Rs.20 ($0.45) per day. We have to still repay Rs.1000 ($23). My elder son is not here so my younger son has to work and repay it, but if he goes to do that work, we will have nothing to eat."***
>
> *- Yellamma*

As their earning opportunities were limited, some people, particularly the *devadasi* families – depended on credit from their landlords. These loans were at high interest rates in exchange for bonded labour. Credit from the moneylenders was also expensive, and could be obtained only with hypothecation of assets. As Lakshmavva said:

"We can get a loan from the 'shavkar' (moneylender) *only if we pledge something, land, buffalo, gold or silver ornaments, and if none of these, at least a brass or copper vessel. If we do not pay in time, we lose the asset. He just takes away the animal, or the jewellery, or the vessel. There is no mercy, this is the rule."*

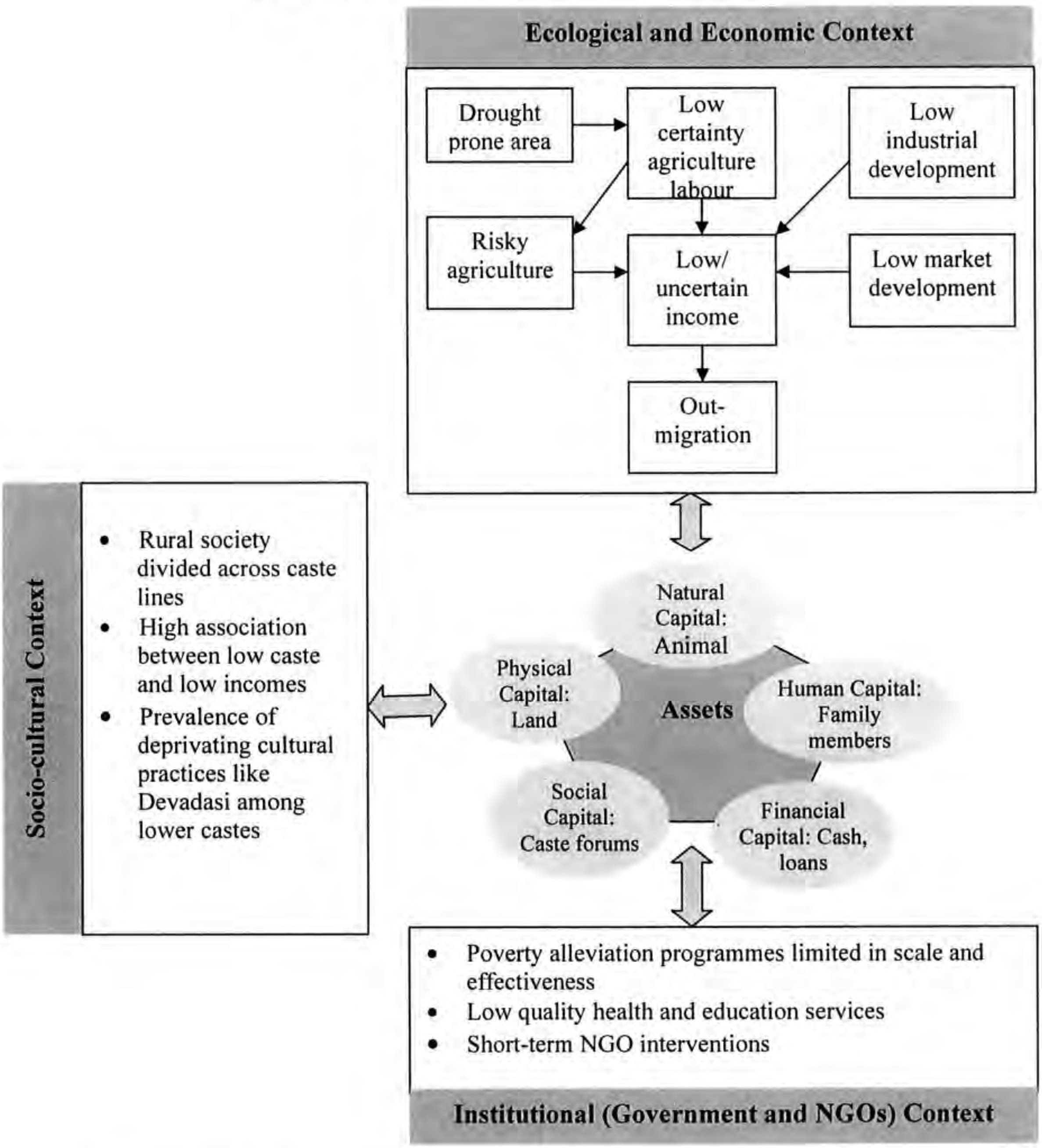
The institutional structures in Koppal district included government departments, NGOs and banks, which implemented a wide range of development programmes. However, official programmes did not really meet the basic human needs and poverty reduction. NGOs implemented projects for donors or government, yet had only a limited outreach and impact. Banks provided microfinance through official schemes that they were obligated to implement and only one bank- the local RRB- had what may be termed a market-led approach to micro credit for the poor. Thus, observed structures and processes were not often conducive to long-term efforts towards poverty reduction or sustainable rural livelihoods.

This reinforces the understanding that ecological, economic, institutional and socio-cultural factors play an important role in determining the vulnerability or security of livelihoods in a specific regional context.

4.4 Summary

The study of the livelihoods in Koppal, analysed through three broad categories, is depicted in Figure 4-5.

Figure 4-5: Livelihoods in the Koppal Context



In the context of the semi-arid region made inhospitable by a degraded environment, farmers resorted to bore-well irrigation as household coping strategies, which resulted in overall unsustainability of natural resources. There were no community level efforts to promote sustainable agriculture or sustainable management of natural resources. Those who possessed land had a greater feeling of security as compared to the landless; however, the profitability of agriculture was suspect, though people did get food grains and fodder from their lands. Wage rates had also increased, from Rs. 8 -15 ($0.17 - 0.33) up to 2004 to Rs. 20 - 25 ($0.44 - 0.55) in 2005. The other options like animal-husbandry, trading, and non-farm sector employment had little or no scope given their bleak ecological and market conditions though new opportunities had opened up due to the growth of Koppal town. The relatively low literacy and skill levels, especially of women, were a limitation in using the new opportunities. With the local area not therefore providing enough sustenance, there was large-scale out-migration to other areas for differing periods of time. The type of work could be agriculture or construction labour, fishing, or loading and unloading of stones and other products. The major positive changes had come from out-migration, and growth of livestock (buffaloes, sheep and goats) among the SC communities, and increasing employment opportunities in Koppal district, and some benefits from official schemes. The caste stratifications shaped the interactions among people. They determined family lives of people, as well as their working lives. *Devadasis* remained among the most marginalized, with deprivation of their human rights. They were kept invisible by a need of government officers not to show their existence, the practice having been banned by law. This resulted in their being denied the government benefits they were entitled to.

One may reflect on how changes may be initiated in the socio-cultural aspects of a livelihoods context, wherein the tendency is for social and power relations to perpetuate themselves. For instance, even women themselves do not question norms about expenditure on marriages. They fear that challenging this practice may result in their children not finding a marriage alliance in a well-off family. This would create family discord where the children may be disappointed that their parents could not even provide basic comforts. The issue was regarded as a household problem, and the inside-outside dichotomy operated to stop them from considering it a community issue, and questioning social conventions. The same analogy is drawn about the financial transactions that occur through corrupt practices among various groups regarding disposition of public resources. Such practices are simply viewed as part of a 'system' to be followed rather than challenged.

These insights echo Freire (1970) in that the poor need to move away from seeing themselves trapped within structures, and need to start questioning and changing whatever keeps them marginalised. The analysis of the institutional context showed basic facilities like schools and health were accessible, but statistics about school dropouts did not reflect the true situation. Several government schemes had benefited the villagers, e.g. provision of electricity, housing and subsidised loans. There were also corrupt practices, but as awareness had increased over the years, women had begun to question them and seek greater accountability. NGOs mostly worked on short-term projects with funding partnerships, and closed the offices when these projects ended. The dominant expectation about NGOs was related to their obtaining and channelling outside funds.

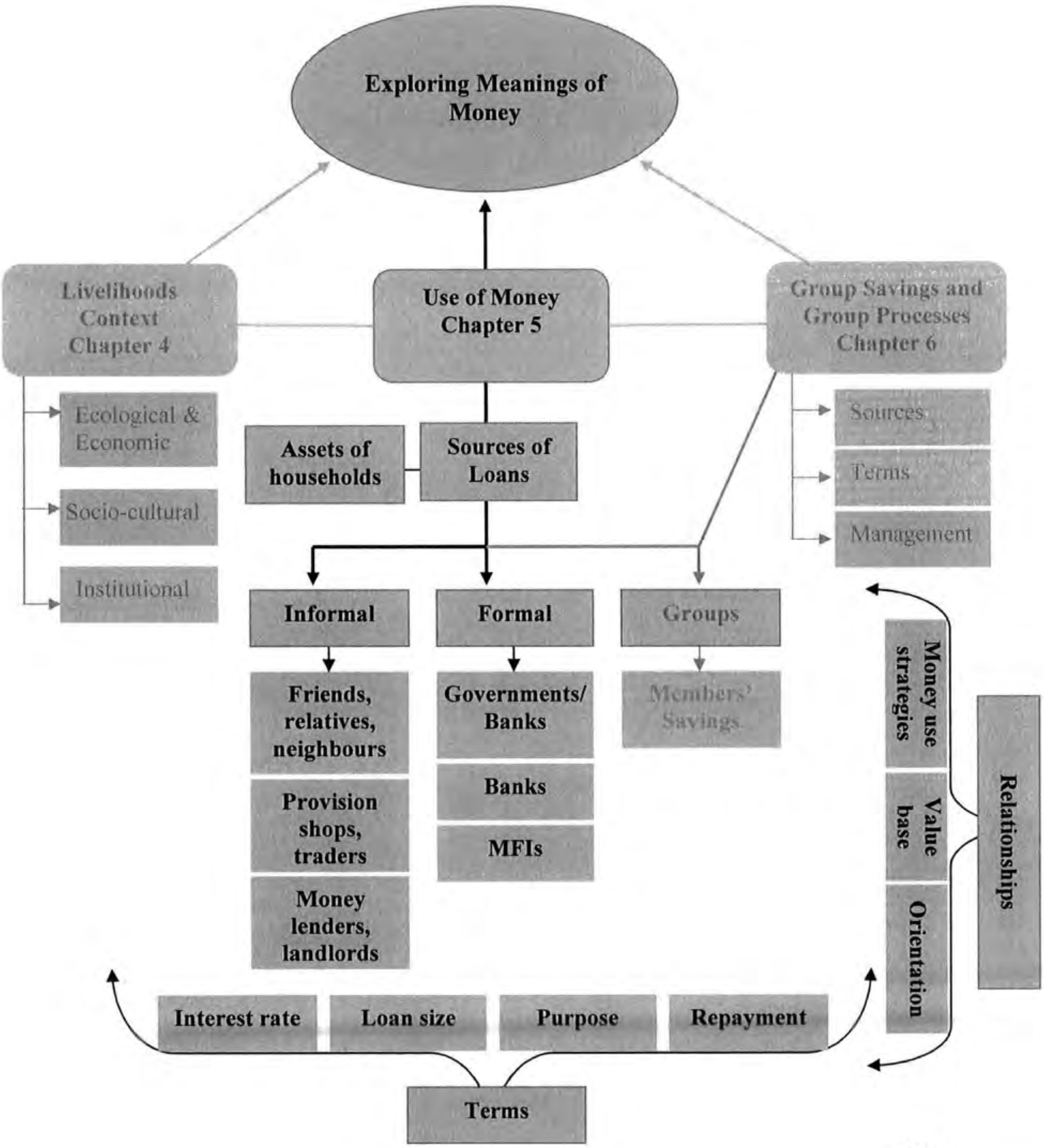
Microfinance was extended through formal organisations like agricultural cooperatives and banks. The former had become largely defunct and the latter provided credit largely through programmes subsidised by the government. In these programmes, the assistance was mostly target-bound in terms of types of beneficiaries to reach, purposes and amount, and number of such grants to be given. The terms were not negotiable with the organisations administering these schemes. The analysis of livelihoods context first points to several constraints on the demand for credit, namely the ecological and economic contexts, which limit (but have also enhanced to some extent) the opportunities for productive use of money. The socio-cultural context highlighted the marginalisation and social exclusion of scheduled castes, and of *devadasi* women in particular, which affects asset levels of households. The relation between asset levels and loans will be explored in the following chapter, which details women's own needs, preferences and strategies for use of money.

Chapter 5

Use of Money by Individuals and Groups

Chapter 4 analysed how multiple contexts had an important bearing upon the supply of finance and its potential use. The elaboration of the topics discussed is as follows:

Figure 5-1: Analysis of Women's Use of Money



This chapter presents an analysis of the asset base, life and loan histories of individual women, showing how the asset base influences their earnings, which in turn determines their loan-taking capacity. The loans that women took yielded rich insights regarding sources of credit, which form the second section, and the third section presents detailed discussions about what influences their use of money.

5.1 Women's Stories and Loan Histories

Women's stories highlight the link between the level of land, human and cattle assets, (and the consequent income inflows and expenses), with the ability to take and repay loans. These are now discussed.

5.1.1 Precarious Livelihoods, Low Loan Taking Ability

Lakshmavva's household included herself (28 years-old), her three children (8, 6, and 4 year-old respectively), and her mother (45 years-old). She was dedicated as a devadasi as a 12 year old. At the time of research, her elder son had dropped out of school. She was landless, and lived in a '*Ashraya mane*', a house given by the government, consisting of a small hall (10 x 10 ft), with a small partition to mark off the kitchen space. The walls were made of low cost cement bricks, the roof was a cement sheet, and the mud floor was polished with cow-dung. She had made a small bathroom outside using coconut leaves for walls. The open space in front and back of the house was part of the colony of devadasis in the village, in a low lying area, often slushy and not kept clean. She tied the cow and calf she owned outside the hut, and gave the unsold milk to her own small children. Her earning was primarily from her own casual farm labour, and sometimes that of her mother's, a meagre amount of Rs. 480 ($10.66) per month. She explained the seasonal calendar of wages as follows:

October: *"In this month we have the festival of Vijayadashmi*[1]*. We get work on cotton fields and weeding this month, we earn Rs. 20 ($0.44) per day for picking cotton. My mother went for this work for 10 days. I went for weeding for 15 days, and earned Rs. 12 ($0.26) per day, so totally we earned Rs. 250 ($5.55) from cotton-crossing and Rs. 300 ($6.66) from weeding. We also celebrate Mahanavami this month, for which we*

[1] Vijayadashmi, mahanavami: hindu festivals.

spent Rs. 50 ($1.11), using half kg of jaggery, half kg of pulses and 1 kg of rice and oil. We spent Rs. 375 ($8.33) for other days of the month, so total expenses this month were Rs. 425 ($9.44)."

November: *"We had weeding work this month and the wage was Rs. 15($0.33) per day. We had weeding work only for 15 days and I have earned Rs. 225 ($5) from coolie work. My mother worked for 9 days, and has earned Rs. 135 ($3) this month. So this month we have earned Rs. 360 ($8), we had no income other than this. We spent Rs. 100 ($2.22) on Diwali festival this month, buying 1 kg of jaggery, 1 kg pulses, half kg flour and 2 kg of rice, ¼ kg cooking oil, some ginger, cumin seeds, mustard, curry leaf, garlic and coriander. We made holige (sweet chapattis[2]) for this festival. I purchased cloth for children for Rs. 100 ($2.22) and paid Rs. 40 ($0.88) as stitching charges. The expenses for the rest of the month were Rs.262 ($5.82), so totally this month the expenditure came up to Rs. 602 ($13.37), and the income was just Rs. 360 ($8) so I took a loan of Rs. 300 ($6.66) from the gowda. It is 'kaigada', there is no interest on it, I can pay it back whenever I have money in hand."*

December: *"This month is known as Karthik Amavasya[3]. We did not have regular coolie work this month. My mother did coolie work for 10 days and I did not go for coolie this month[4], so we had Rs. 120 ($2.66) from wages, and I sold one litre of milk per day and earned Rs. 235.60 ($5.22). We had Hanumappa fair this month, I spent Rs. 50 ($1.11), and for food and ration we spent Rs. 370 ($8.2) this month. Apart from this I did not spend on anything else."*

January: *"This month we observe Yellu Amavase. Jowar is grown this month, so we have weeding-work, and harvesting jowar. We had weeding work for 20 days at Rs. 12 ($0.26), so that was Rs. 240 ($5.33) and 8 days of harvesting jowar at R. 15 ($0.33), giving Rs. 120 ($2.66), so earned a total of Rs. 360 ($8) this month. We did*

[2] Chapattis: unleavened whole wheat pancakes roasted on fire.

[3] Amavasya, Amavase: Night of the new moon

[4] All members of Durgadevi group got cows this month, from a subsidised loan, the animals needed to be acclamatised to new surroundings, so Lakshmavva stayed home to look after her cow.

not celebrate any festival this month, we had only food expenses and spent all Rs. 360 ($8) on food, not on anything else."

February, March, April: *"February is the month of Amrith Amavase. In this month we do not get coolie work so we have difficulty in even getting one meal a day. We didn't have any income this month and for another three months we will not have any work. We take loans from villagers. I took a loan of Rs. 250 ($5.55) in February and Rs. 300 ($6.66) in March. The entire amount was spent on food expenses and nothing was left. In April we have monsoon, no income in this month, and we have the festival of Ugadi. I took a loan from the gowdaru, of Rs. 250 ($5.55) and spent it for Ugadi."*

May: *"May is recognised for Basava Jayanthi. We have coolie work for the whole of this month, or removing cowpea in the land near the river. The daily wage is Rs. 15 ($0.33) so this month we have earned Rs. 600 ($13.33). We spent only Rs. 25 ($0.55) for the feast, spent Rs. 250 ($5.55) on food and repaid loan of Rs. 300 ($6.66)."*

June: *"We went for cow pea coolie work, work was available for just 15 days. My mother and I both went for this work, and earned 600 ($13.33) from plucking cowpea. They gave Rs. 20 ($0.44) on days when we worked from 8.30 am to 6.30 pm. This month we did not spend anything on feast or 'jathre'. We spent Rs. 260 ($5.77) on food and ration, saved Rs. 50 ($1.11) in the Sangha, and did not spend on anything else. Yes, I spent Rs. 25 ($0.55) for Amavase."*

July: *"This is the month of Mannethina Amavase. We have weeding and harvesting of sajje[5] this month. We got daily wages of Rs. 15 ($0.33) for weeding and Rs. 12 ($0.26) for harvesting; we earned Rs. 500 ($11.11) from weeding and Rs. 250 ($5.55) from sajje, a total of Rs. 750 ($16.66). This month I did not have any expenses other than household expenses, Rs. 280, ($6.22) I saved Rs. 40 ($0.88) in the SHG. I also spent on ration, rice, cooking oil, jowar and dal, and only Rs. 40 ($0.88) were left."*

[5] Sajje: A small millet type grain

August: *"This is the month of Nagara Panchami[6]. We had coolie work of cotton-crossing, for which the daily wage is Rs. 20 ($0.44). I did not go for work for 4 days this month; as we had the Panchami festival, we had to clean the house, and prepare for the feast. I earned Rs. 540 ($12) this month, we had to work from 6 am to 6 pm to be considered 'coolie' and get this wage rate. Since we had Panchami festival this month, I spent Rs. 400 ($8.88) to get items (groundnut, oil, jaggery, rice, etc.) for preparing sweets (undi-laddoo). Apart from this I spent Rs. 280 ($6.22) on household expenses. Adding Rs. 40 ($0.88) of savings in the group, this month's expenses were Rs. 690 ($15.33)."*

September: *"This month also we have cotton-crossing work. The coolie was Rs. 20 ($0.44) per day, so I earned Rs. 550 ($12.22) this month, in 27 days. We did not celebrate any festival this month so we spent just Rs. 280 ($6.22) on ration. I saved Rs. 30 ($0.66) in the group, so the total expenses were Rs. 310 ($6.88)."*

Lakshmavva has had one partner since she became a devadasi, who made no contribution to her household. She said about him: *"What can I do? I selected a wrong life, I have no other option, whether he looks after me well or not, I must take care of myself and my mother. How much can she bear? Sometimes we did not have food, and Shivappa gave me jowar flour to make rotto (bread) during my pregnancy. Now I have experience and I can manage my life, but at that time I was young, innocent and inexperienced. He avoided me during my pregnancy and always came back when I started regular work again. But even though I faced very tough situations, I did not look at another man. Whether he gave me anything or not, I could not think of another man. In case a husband does not give enough to the family, a wife does not go to another man; in the same way I have also not bothered whether he supports me or not. He has always been the same, he never brought anything for the house, never brought rations. He provides one dress for me once a year and twice for the children, that is all. But my in-laws sent ration to my house twice after delivery. They like me and support me."*

[6] Panchami: Fifth day of lunar month

She took repeated loans from the landlord, four times during the one-year's research, of Rs. 250 ($5.55) to Rs. 300 ($6.66) each time, totalling Rs. 1,100 ($24). These loans for household expenses were taken during the lean season from March to May, when there was low availability of agricultural labour work, leading her into a perpetual cycle of debt to her landlord. After she joined the SHG, she took five loans from the SHG, totalling Rs. 887 ($20), on which she paid an interest of Rs. 300 ($6.66) but had kept the principal amount outstanding. She acquired a cow under a subsidised loan scheme, which provided small additional income that helped the family survive, but she was not in a position to repay this loan. Even when formal loans were offered by the NGO, she did not take the option, as she could not afford to be further indebted. Over the four-year period spanning this research, Lakshmavva's elder son left school to graze the buffalo. Later, her second son also left and took over the grazing chore and her elder son graduated to *coolie* work. In 2005, her youngest daughter left school. These children had no time to learn, or for capacity building, and their mother had no way to sustain her family except through their earnings. In her case, the asset and income creation from financial capital (i.e. keeping the buffalo) was at the expense of her children's development. The loans for consumption helped her to manage difficult periods, and the buffalo taken on subsidised credit helped improve her asset position.

The Story of Nagavva

Nagavva, a 27 year old devadasi, stood thin and tall, with an oval shaped, sensitive face and wheat coloured skin. She was landless, with a parent (father) and three children to care for. Her two sons, aged ten and eight years, went to school, and the youngest, a daughter, was four year old. She had two houses, one house had tiled roof, walls made of bricks and the floor of mud, polished with cow-dung. It had a hall, a part of which she used as the kitchen. She had made another house with a roof moulded with wood and walls of mud, plastered with cement. She had a bathroom and a small kitchen in this house. She had made a small extension to both the houses, where she tied the cattle. She kept all the clothes in one house and cooking vessels in another. She kept her home very clean.

Nagavva was an only child, born after ten years of her parents' marriage, so her mother cared a lot for her and never allowed her to do any work at home, except for letting her graze the cattle. It was only after she was 12 years old that she went for farm labour with her mother, and if she was unable to finish, her mother completed her portion of the work, too. Nagavva was very close to her mother, and still mourns her mother's death two years ago. She has not yet recovered from the loss, and during the interviews, though she speaks with humour, her eyes are full of tears.

Nagavva's maternal uncle had three sons. Her eldest cousin grew in their home; he was ten years old when Nagavva was born, and they were very close. He returned to his parents' home after he was twenty. Nagavva's parents had decided to get them married. She explains:

"*My parents had decided that I would be married to him and we would live with them. Soon after I attained puberty, there was a marriage proposal for me, which they turned down. They thought that they would fix my marriage with my cousin, so they went to my uncle's home and asked if their eldest son could marry me. My aunt and uncle refused saying that they needed his earnings for themselves. My parents were very upset because they were really keen on having him as their son-in-law, and when we were young, my uncle had agreed to let him marry me and stay with my parents, so now they felt slighted.*

My uncle's son was also very interested in marrying me; he fought with his parents and came to my house immediately. He also said that he would not marry anyone other than me. I was also interested in him, he had lived for so many years in our home, and we were close then.

My parents wanted to avoid him because my uncle had hurt them. They tried to send him away by telling him some lie. They said: 'We cannot have our daughter married now as we have many loans that need to be repaid. Can you wait till the loans are cleared?' He said: 'Tell me how much, I will clear the whole amount'. Then my parents said: 'Do that first, then we will think of your marriage.' He told my father:

'Give me three months' time, I will go to Ratnagiri for work and will pay off all the loans[7]*. Do not give her (in marriage) to anyone till I come back.*

After he left, my parents sounded out some people to look out for a match for me; two or three matches were suggested, but they did not want to let their son live in our home. Then my parents thought: 'Why get her married at all? Let her be a devadasi.'

When my parents started looking out for a match for me, I sent a message to my cousin through a person who works in Ratnagiri, but it took a few months for the message to reach him. This was the first time he worked with the contractor, so he had to complete the mandated nine months before he could take leave. He too sent me a message with someone who came back after a few months: 'I will come back after nine months and marry Nagavva - tell her parents not to give her to anybody'. But before that my parents had already made me into a devadasi and fixed me up with Reddy."

Her partner Reddy cared for her until he married, and then the contact became limited to sexual relations and provisions for the house. Even when she was ill, and her children also fell ill in the rainy season, he gave only Rs. 100 ($2.22), which had to suffice for the children's treatment. Nagavva claimed her partner had stopped caring. She said: *"Now he comes only in the night, finishes his work (meaning sexual relation) and goes off. I can't even talk to him about my feelings. I was ill for more than 15 days, he did not even turn back to look at me. If I were married my husband would have stayed with me and looked after me. He is not supporting me properly, my children are small; I don't know how many problems I have to face until they grow big enough. Now I do not have the confidence that he will support me. This is why I stopped with three children; I can earn and look after them. Whatever he can give us, and for whichever period, is fine, but I am clear that without doing coolie work my life cannot be, I have to depend fully on coolie work. Even later, if my children cannot look after me, I belong to this village, I can take a plate and beg for food for my stomach."* Her earnings were only from her own wages, and sometimes

[7] Men normally go for fishing, and work with contractors, they return after 6 to 9 months with a lump sum of payment between 10,000 to 20,000 rupees, but they can sometimes manage to come home after three months, with an advance payment from the contractor.

her father went for coolie work, too. They took turns to look after the cattle. Her average monthly income was Rs. 1,274 ($28.31), to support a five-member household. At the beginning of the research, she had one cow, one calf, one goat and two chickens. All milk was used for household consumption.

She had taken five loans, ranging between 250 to Rs. 300 ($6.66), a total of Rs. 1,932 ($43) twice from the SHG and thrice from the landlord, but made only one repayment to the SHG over the study period. She was sanctioned a loan of Rs. 5,000 ($111) under the IRDP scheme, with a subsidy element of 50%. However, she was told that the subsidy amount would be Rs. 1,500 ($33.33) and she would have to pay back Rs. 3,500 ($78). The amount released to her was only Rs. 3,500 ($78). She bought a buffalo-calf for Rs. 1,500 ($33) and used the rest for household expenses. After she reared it for one year, she sold it for Rs. 700 ($16) and put together some of her own savings to buy an adult buffalo. At this time, her son was ill and had to be taken to the hospital regularly. Being landless and dependent only on coolie labour, she could not earn enough to repay the loan. She said: "*The buffalo loan was of great use to us. My son had fever since he was two years old; I could feed my son with the milk of the buffalo, and sell the extra milk to pay the hospital charges. My son survived because of that buffalo. His health was not good for three years. After that, when we wanted to repay, my mother fell ill; we took her to hospital but she died. Now the buffalo is dead. We could not repay because of all these problems. My son would have been dead without that buffalo. At least now I want to repay because the bank sends me notices. The interest has now become more than 50% of the loan. I don't know when I am going to repay this.*" Clearly, the non-repayment of the loan was due more to her inability, than unwillingness to repay. Over the study period, however, she added a buffalo calf, from her savings, and another buffalo, from a subsidised group loan, and also two hens.

The Story of Parvathamma

Parvathamma's household of three comprised herself (35 years old), her mother (70 years old) and a 13-year old son; her daughter was 15, married, with a girl child, and living with her husband in another village. Her mother and grandmother were also devadasis, but she broke this custom when her daughter married at eight. Parvathamma was dedicated when five. After maturing at 12, her mother wanted her to have a relationship with a man, which she did not want. She would go into a trance, be 'possessed' by 'Galeamma' goddess, and her body would shudder and she would break into hysterical talk. Her mother wanted her to dedicate herself to this goddess to enable her to become normal again. After four years, Parvathamma was convinced to accept this life and relationship; her hysterical spells declined, and her mother arranged a partnership with a 38 year old Muslim man. Parvathamma would not talk about him, and became angry at his mention; for while he maintained the partnership for 10 years, he would also drink, use foul language and abuse her, and she felt that he had done nothing but exploit her and her mother by extorting money from them. She had two pregnancies during this period, and both the children died; she returned to work seven days after delivery, and finally, angry at his neglect, she told him: *"Even if you do not live with me, someone else will, so you do not have to visit us. Please stop coming here"*, and when he got drunk and abused her, she said: *"Go and die with your wife."* Later, she found a partner in Yellappa, 48 years old, from the butcher caste, who has been more caring. Both her children are from him. He trades in sheep and goats, travels from village to village, has a reliable seasonal income, and provides whenever her family do not have sufficient earnings. Expressing her loyalty to him she said:

"From the time I started my second relationship, my partner has been providing full support to the children and me. The son fell ill and we took him to several hospitals, he has spent more than Rs. 25,000 ($556) *over the past seven years for medical expenses. He takes care of all the food, clothes, and hospital expenses. He provided the money for the marriage of my daughter, and the delivery expenses of all her children. He has told me: 'You do not have to do coolie work, I will look after you, don't ask anything of anyone else'. He is like my father, husband, and my everything. He also looks after my mother. Even though my son is earning from his job at a hotel, it is only a supplementary income to the family. I never had to take a loan from outside since this man came into my life."*

Parvathamma considers her male partner as the most important pivot of change in her livelihood. The financial details, though, were a little different, because the major portion (60%) of her monthly income of Rs. 1,027 ($23) was still from the salary of her 14 year-old son, employed in a shop in Koppal. She had half an acre of land, provided by the government, which was often submerged with dam water, and thus provided little additional income. She took two small loans of Rs. 100 ($2.22) and Rs. 200 ($4.44) from the group for medicines and clothes. As her household needs were met by her son's salary and her partner, and she did not have surplus labour to look after new assets, she did not take any further loans. She also left her group within two years and did not join another.

Low Assets, Low Incomes, Small Loans

Lakshmavva and Nagavva lacked human and physical capital, resulting in low incomes. They depended on the labour they committed to specific landlords against small advances of Rs. 250-300 ($5.55-6.66). They took loans at festival time to spend on food, and recorded them as 'festival expenses'. They did not have sufficient cash flows to cover basic survival expenses for the family, and festivals provided a reason for requesting advances from their landlords. Nagavva said: *"When my parents were alive they did coolie work, my children were small then and we did not have any problems in 'running' the household. If at all we fell short of money, we used to take an advance from landlords and clear it within 15 to 20 days. If we take loan from outside, we will have the burden of interest, so we don't take any loan of a higher amount than Rs. 100 to 200 ($2.22 to 4.44). We have to earn and eat, and we don't have any land; if we take a loan it is difficult for us to repay it. Since we have the group now, we can take and repay the loan to the group. We don't find the need to go to 'outsiders' for loans."*

5.1.2 Surviving at the Margins

The Story of Yellamma

Yellamma's household comprised of six, including two sons, their wives and a daughter, with another two daughters married and living in other villages. *Since my* *children started earning, I have stopped going for coolie work. I don't have house or land so I have to do coolie work to eat. This is why I feel that 'health is wealth.' Because of my leg pain, 'hareavayi'; I can't do coolie work any more. Maybe I can take loan from the group and do some sort of 'vyapara' (trading activity). I can do dairying now – this is what I want to do. I take the cows for grazing; leave them to graze then sit under a tree for some time so I don't feel the pain much. Earlier, I used to go to bring hay for the cattle, then a boy from the neighbourhood used to bring it, but now he died of snakebite, so I will have to go and get hay.*

There are three landlords: Chanappa, Sharanappa and Shekarappa. If an elderly person passes away they give cattle as a grant in remembrance of them. Since I don't go for coolie work, I take these cattle for grazing and bring hay for them. I gave one cow to my daughter, now it is one year old and my daughter takes it for grazing.

There are two big farmers, I work for them, their names are Eshappa and Koiavaru. They give coolie wages on the day I work, while other farmers give wages 3 to 4 days after the work has been done. So I get provisions from the petty shop and pay him after I get the coolie wage. The landlords also give 16 to 20 kgs of jowar, pulses and groundnut when these crops are harvested. I sell them in the Koppal market, and from the money earned I purchase clothes for my children and myself. I also get some provision from the shandy during festivals. This time, two landlords gave me two bags of maize, which I sold in Koppal for Rs. 600 ($13), I gave my elder son that money to have an operation for his piles problem.

I am the main earning member in my house. What to do? If one is born in a poor family, one has to think whatever one has is good. When my son Devappa does work of head-loading on the tractor, he earns Rs. 50 ($1.11) per day; he works for one day and stays home for another two days. My daughter Gayathravva goes to work everyday. Her brother told her to go to Koppal 'jathre', but she refused to go, saying that the expense will be Rs. 400 ($8.88), and the same is better spent to get provisions for the house i.e. rice for one month. My daughter thinks a lot about the house, she is like goddess Saraswati. Other children demand things, but my daughter's only business is to work, earn, eat and sleep.

My elder son, Nagappa, does not go for coolie work, he is sick, so if he wants money for petty expenses he asks me; even when he is sick, I have to bear the cost of his medical expenses. He is the cause of my worry. His wife is also sick, she is suffering from TB. Her parents do not take care of her as they are poor. We are poor too. If she comes here then I have to earn for her medical expenses, and moreover I worry that the disease may spread to my son also, I am very scared about that. Right now she has gone back to her mother's place."

About group loans, she said: *"When the group had started, I had taken a loan of Rs. 200 ($4.44), paid Rs. 10 ($0.22) as interest and Rs. 50 ($1.11) towards principal over four months. As my son was ill I took Rs. 150 ($3.33) from the group and am now paying the interest but have not yet paid the principal amount. There is no coolie work this month, so there is a difficulty in repaying it. I have not taken loan from anyone else because no one helps us when we are in need. That is why it is very rare that I ask for a loan from anybody. When my children got married, I had taken a loan of Rs. 1,200 ($27) at 10% per month. They ask us to give something, like gold, to take the loan. That is why I don't take any loans; after the group has been formed I have not taken any loan from outside. Also, nobody is able to give a loan. If anybody in our locality wants to take a loan, they take it from 'Baddi Chanappa'. He gives to anybody at any time but we have to repay him in the given time else he takes either a cow or a buffalo from the house – that's why his name is 'Baddi Chanappa' ('baddi' is the kannada term for interest).*

When I first took a loan it was for my daughter's wedding. Later I 'took out' a loan of Rs. 2,500 ($56) from our farmers, i.e. from our village farmers without interest. My sons repaid this loan by working in their house from morning until night for Rs. 20 ($0.44) . That is why I don't take any loans from other people. We still have to repay Rs. 1000 ($22) because they had given us a bag of wheat during the wedding. My elder son is not here, and if my younger son goes to do that work to repay it (meaning bonded labour), we will have nothing to eat, even now all of us have to go to work to eat.

I took a loan for my son's marriage, I paid it back within two years by doing coolie work, but I still have to pay Rs. 2,050 ($46) by doing coolie work. I am afraid to take loans. We spend as we earn. We will spend as per our limit. Since we don't have land, gold, silver or a house, who will give us a loan? We are bonded labourers to farmers who have given us a loan. My eldest son works and pays it back. Still, part of the loan is yet to be repaid.

People living in our street are very poor and there are a lot of children so they find it difficult to repay the loan.

I have four acres of land near the river but we can cultivate it only once a year. We grow maize, cowpea, horse-gram and jowar. This year even that is not available, as there is no rain, and no water in the river. If we grow crops on our land, there is sufficient hay for the cattle, but as we could not grow hay this year, we will have to get it from outside for Rs. 300 ($46) per cartload." There were three cattle in her house but one was given to her daughter in Shivapura village.

The Story of Shivavva

Shivavva shared a small home with her husband, two sons and a daughter-in-law, and three daughters (two others were married), and three grandchildren. During the course of the research, her husband died, her elder son's family separated and went to another house, one daughter got married and left home and her younger son got married and had a child, and also migrated, so the size of the family reduced from eleven to five during this research. She was unhappy with the elder son, and stated:

"If my eldest son works for one day, he may not work for the next two days – his work pattern is extremely irregular. His wife, the eldest daughter-in-law, cares for the children and the home. The younger one does coolie work either in the house of the 'gowda', or other people. Each one of us has to work to be able to manage the household."

Regarding education, Shivavva said *"Both my sons and daughters-in-law are illiterate – even my grandchildren are not willing to go to school. Although we try to send them, they are not interested."*

The main income came from the agricultural labour of seven members, for her family was landless and uneducated, and only earned an average of Rs. 3,500 ($78) to Rs. 4,000 ($89) per month during nine months of the year. Earlier the inflow was lower, but from 2001 there was a lump sum contributed from the migratory income of her son. When the younger son visited home, he brought with him Rs. 15,000 to 20,000 ($333 to $444). If she needed money in the interim, he sent about Rs. 2,000 ($44) or more depending on her need. Shivavva used this to reduce her debts, while the money from the rest of the family's labour paid for regular household expenses. Shivavva had three cows and three calves, producing two litres of milk per day, sold at Rs. 7 ($0.15) per litre. They collected free *jowar*-hay for cows from other people's fields, and collected manure from cow dung, sold at Rs. 50 ($1.11) per cartload; four times every six months. The elder daughter-in-law got as a dowry a six-month old female calf ten years before, from which the rest of the stock was produced.

Household expenses were high because of large family size. Shivavva finally repaid her son's marriage loan in May with her share of savings from the group. The peaks in her expenses were due to her husband's illness and death at a time when her eldest son and his family had also separated from the joint family (he had four girls and a boy). Shivavva regarded this as a sad loss, and a continuation of her responsibility as head of the household.

"I take all the responsibility of the house. My younger son listens to me. I asked my eldest son to take responsibility for the family after my husband died, but he refused. He could not take care of such a large family and he separated. My sons and daughters have all been going for coolie work. The three daughters who were earning are now married, and the younger two have also continued to do farm labour. They earn Rs. 15 ($0.33) per day as wages; they get work for about 15 days every month. During the days when they do not get work, they fetch hay for the cows, collect firewood, and bring water".

"I am happy about being in charge, but I feel bad too. I would have liked my eldest son to take the responsibility. I told my elder daughter-in- law to stay at home and care for the family and children, while I continued to go and work in the fields, and she did so. I told my younger daughter-in-law the same. But she told me to be at home instead. Now she goes for coolie work."

- Shivavva

Shivavva's family had lived in a small hut for 15 years. When her younger son went to Ratnagiri, he gave her Rs. 6,000 ($133). She added to this and bought a house for Rs. 8,000 ($178), with no electricity. This was remedied when she paid a middleman to become beneficiaries of the government's Bhagya Jyothi scheme. She then got a house allotted to them under another government scheme, five years ago. When the whole family lived together, they would cook in the old (first) house, and some slept in the new one.

Shivavva's third daughter married two years earlier, and a loan of Rs. 3,000 ($67) was taken for this marriage at an interest of 5% per month. She made part payments towards this for two years. She had taken three loans from group savings ranging from Rs. 300 to 400 ($6.66 to 8.88) each time to meet expenses, visit the temple, and to repay the money lender. She had not yet paid the group loans, and explained: *"I took loans three times, a total of Rs. 900 ($20) . I have so far paid interest of Rs. 750 ($17) . I do not have any loan outside the group. My daughter says that if she gets coolie work regularly, then we can repay the principal in monthly instalments. If I take a loan it is from the group not from anyone else. When my husband was earning I had his wages, now I have only the group savings to come to my rescue."* Later, in

2004, she purchased a buffalo through a loan from her SHG; the loan was linked with a subsidy scheme of the SC/ST Corporation, which required her to pay back half of it. The animal stock provided them with some cash inflow, and as family members laboured daily, the household position improved.

About the loans she said: *"I do not get loans from outside. If I get loans from farmers, then I would be bound to them until the amount gets cleared. I do not have land either at my parent's or my husband's place. My sons are my biggest property, like land (Nanna mage nanage hola iddahange). I took a loan of Rs. 40,000 ($889) for their marriage expenses from the farmers; it took five years for them to repay the loan, which was deducted part by part from their wages. During this time when my sons were kept as bonded labourers, my husband, my daughters and I went for coolie work to manage the expenses of the family."*

Figure 5-2: Shivavva's Inflows Distributions (Rs. 46,050/ $1,023)

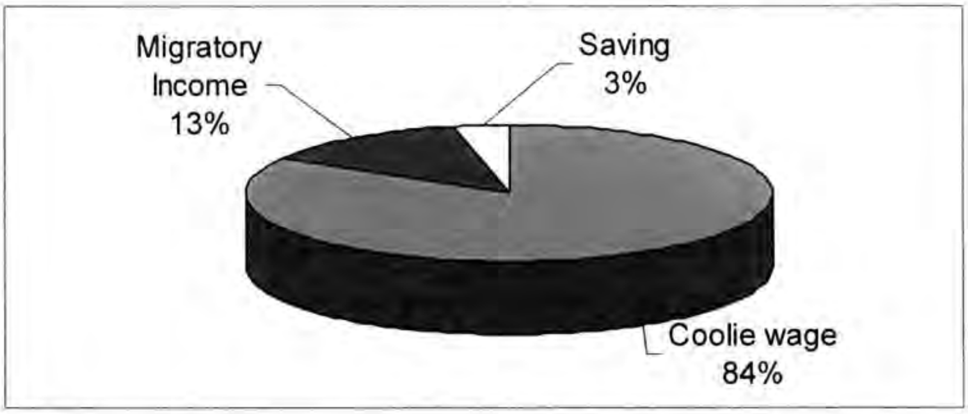


Figure 5-3: Shivavva's Distribution of Outflows (Rs. 46, 020/ $1,023)

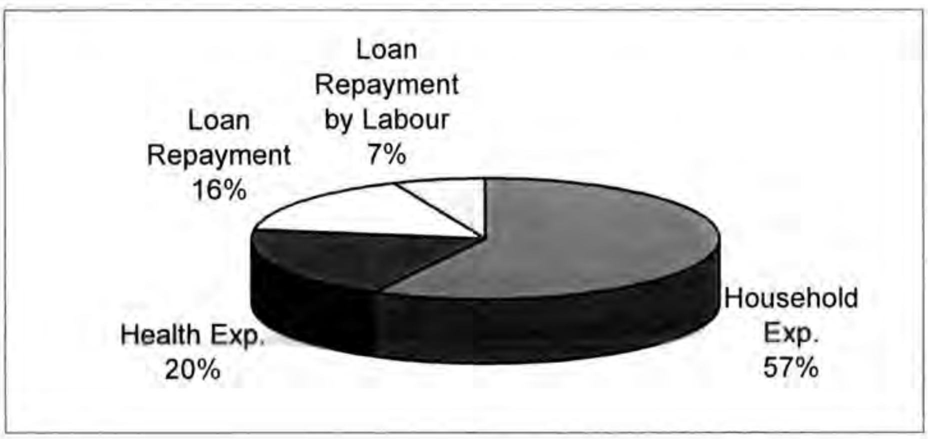
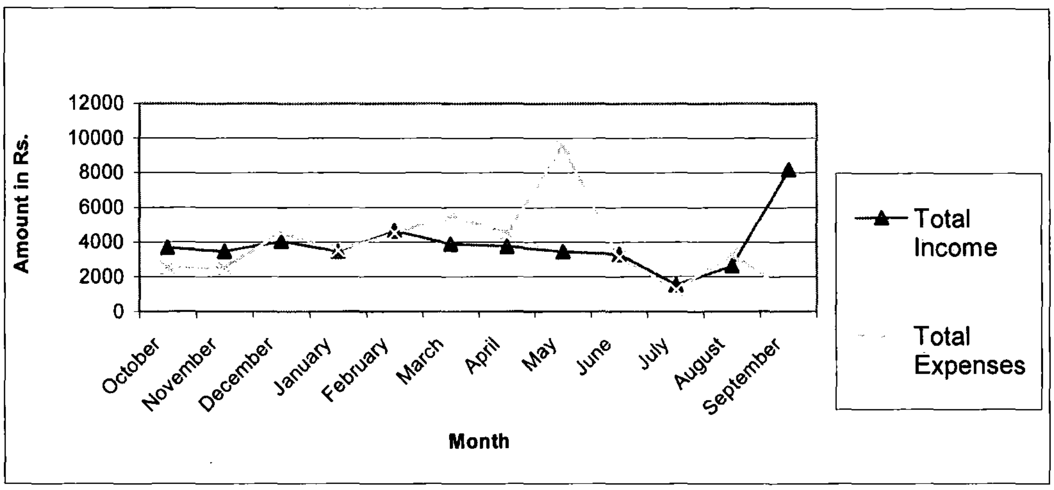


Figure 5-4: Total Inflows and Outflows of Shivavva



Over this research period, Shivavva lost her husband, her elder son moved away, her grandchildren dropped out of school, and her family was able to survive only because of combined factors like farm labour, the migration earning of her younger son, and minor inflows from the sale of milk.

5.1.3 Struggles and Stability

The Story of Sushila

For money, Sushila depended on her tailoring skill, and a small business, both of which, along with child care, occupied all her time. At the time of this research, her monthly earning was Rs. 3,081 ($68), for a five-member household. The first bank loan was taken by her husband for equipment to repair pumpsets. She explained: *"The loan of Rs. 10,000 ($222) was sanctioned by Canara Bank Koppal, but only Rs. 8,000 ($178) were given to us. The bank manager asked me to make a Fixed Deposit of Rs. 2,000 ($44) in the bank. This will be returned to us, with interest, when the full loan is repaid. We have three years to repay the loan. I have repaid Rs. 1,700 ($38) over the past two years."* Sushila did not take further loans during the research period. Later, in 2004, she took a loan from the group and expanded her stock to five goats by November 2005.

Sushila was once poor and isolated, with three young children, and subject to domestic violence from an alcoholic husband. Becoming a member of the SHG helped to build her confidence, develop leadership qualities and challenge her husband. She could take risks and diversify her business to earn more for her family.

"Five years back we did not have food security and we used to have only one meal per day. Now I am able to earn more and give my children two meals per day, and clothes. All these changes happened because of my becoming a member in an SHG. After the formation of the group I was able to get the loan and expand the business. Not only the business, but my confidence also increased to such an extent that now I am able to say 'no' to my husband when he demands money for liquor.

I am able to fulfil my dream of giving a good education to my children. I am sending my son to school and paying Rs. 50 ($1.11) per month for tuition. I do this so that he can get admitted in the Navodaya School[8]*, which provides high quality education and also free boarding till 10th standard.*

Another good thing that happened during the last five years is that I did not get pregnant, because I decided to have the family planning operation. As a result I now have time to do businesses (tailoring and selling cosmetics).

Overall, during the last five years my tailoring has improved, my confidence levels increased and my children are studying well. These are all the things that motivate me to work hard and live in this world."

The turnaround in her life arose from NGO support for improving her tailoring and embroidery skills, and using these for income generation.

8 Subsidised school provided by the government for meritorious children.

The Story of Sangavva

Sangavva's household of five included herself (42), her mother (55), two sons (22, 18) and daughter-in-law (17). The elder son and daughter in law did coolie work, while the younger son studied in secondary school. She had half an acre of land, along with others of her caste, and they had a common borewell for irrigating this land. She could grow two crops per year, of *jowar*, onion, chillies, groundnut and cotton. She kept *jowar* and chillies for home consumption, and sold the other crops. She has one house and one small plot of land (the former is in her father's and latter in her name); the walls of the house are made from stones and mud, and the roof with wood and mud. The mud floor is polished with cow-dung. The house has a kitchen, a hall and a bathroom, and a thatched roof to tie cattle. At the beginning of the research period, she did not have hens, goat or sheep.

Sangavva was dedicated as a devadasi at the age of twelve as her elder sister had been married, her mother was pregnant, and her father died at that time. Her first partner stayed only a month, and she made a second partnership after a few months, with a man of the same Kuruba community, which has lasted several years. Her second partner is called 'goudar' because he has some land and a house. He querried her expenses every month, and met any shortfall.

Her elder son was a bonded labourer with a farmer for six years. She explained: *"They did not pay him wages, just food and clothes, and three lambs every year. They added one lamb each year, so in the last year of work there he got seven lambs. We used to rear those lambs, and sell them from time to time, I used that money for the marriage of my sons. Now my sons go for coolie and sometimes my mother goes too. My daughter-in-law has gone to her mother's place for delivery. Women's wages, from morning till afternoon, are Rs. 12($0.26) and men get Rs. 20 ($0.44) for working till 6 pm. We get coolie work for about seven to eight months a year, about four to five days a week."*

Her annual income was Rs. 37,489 ($833), or Rs. 7,498 ($167) per person in the household, providing a better standard of living than the other devadasis households discussed earlier, e.g. Lakshmavva.

She once applied for a loan of Rs. 5,000 ($111) to purchase a buffalo under the IRDP scheme, whereby 50% of the loan was subsidised, and the loan was repayable without interest over two years. Of the loan amount of Rs. 2,500 ($56), she received Rs. 2,000 ($44), and Rs. 1,000 ($22) of the subsidy amount, leaving Rs. 2,000 ($22) kept by the middleman. She bought a buffalo for Rs. 1,500 ($33) and spent the rest on household needs. She kept the buffalo for six months, and because it could not calf, sold it for Rs. 600 ($13), again using the money for household expenses. She has not yet repaid the bank, which sent her a notice, and an officer visited her to claim that if she repaid, she would then be eligible to take another loan, which she doubted, claiming: *"Yes, it may be true that if I repay they will give me another loan, but I don't have the money to repay; maybe if my son is able to repay then he will."*

She bought seeds and fertilisers on loan, and repaid the loan before making the next purchase. She explained her reluctance thus: *"Earlier my mother used to take the responsibility of the house, but now she is unable to travel to town, and I have to do so. My responsibility is to tell my children to go to work, to ensure provisions for the house, to decide upon what to get or not, and see to the consequences. Earlier, my mother used to take the responsibility and I was just cooking, going to coolie work and going to our farm. Now I take the responsibility of marketing the crops, getting fertilisers and manure, clothes and shop in the shandy. If there is money in hand, we can give and take easily, but now there is no rain and no coolie. It is difficult to maintain my responsibility, and I have to take debt to maintain my family in such situations. Responsibilities mean a hundred and eight worries.* "She perceived loans as 'debts', and said: *"When we don't have coolie work, when there is some health problem, for household purposes and when we have to travel, we take loans."*

She did, however, take loans from the group. She explained: *"I took three loans in the past two years, twice to meet household expenses and once to pay the examination fees for my son. The interest rate in the group is low, and when we face problems we can discuss it, and can repay it in instalments, this is the benefit of the group; if we take loan from 'outsiders' we have to pay the principal all at one time and the interest is also high."*

By November 2005, she had two cows, one calf, five goats and six kids. She bought cartloads of white *jowar* hay and bundles of green hay for the cattle. The cows provided little milk, less than a litre per day, which was kept for home consumption, as was the goat milk. The goats were periodically sold to meet household or medical needs; the rates varied from Rs. 800 to Rs. 1,500 ($ 17 to $ 33) depending on their weight. To build her house, she sold four goats.

5.1.4 Sufficiency and Prosperity

The Story of Rangamma

Rangamma had a household comprising ten people, with seven earning members providing the household with an average monthly income of Rs. 7,881 ($175). The family had two acres of land, in two one-acre pieces, and both the husband and wife worked on the land, but it did not provide enough produce to meet its food needs alone as the couple had six children. In 1985, as Rangamma intended starting dairying, her parents gifted her a cow. When the cow had a calf and she could sell the milk, she was prepared to buy another head of cattle. At this time, in 1986-87, she took her first loan from a bank, of Rs. 1,500 ($33), which she repaid ahead of time, and got a subsidy of Rs. 400 ($8.8). She maintained her cow and buffalo well, which provided three calves, and she sold the buffalo for Rs. 1,500 ($33). In this way, she managed dairying for over twelve years, and the herd grew to seven cows and four buffaloes by 1998. She used to make buttermilk and *ghee* (clarified butter), go to Koppal town and sell milk and milk products every day. It was from this income that she met the expenses for the marriages of her two daughters and the children's education. Then she became tired, as she had to travel long distances to collect fodder; and because, as the children grew, they became reluctant to take the cattle to graze *en route* to school, or fetch water and fodder. Her daughters married and left home, one son failed in secondary school, then took up construction work, and others too did not help with cattle care. She gifted five cows to her relatives, and sold all but one. Next she started a hotel in the village, but once again she was tired of being left alone, and cooking and cleaning. Her husband, who used to help her, took up the responsibility of building a temple for their village community; Rangamma fell ill, and closed the hotel. For the past three years, however, the family erected a hotel during the *deepavali* festival in November, and earned Rs. 1,500 ($33) to Rs. 2,000 ($44) per day, making a profit of Rs. 6,000 ($133) during this one week.

After joining the SHG, she first took a loan of Rs. 1,000 ($22) for meeting expenses of a festival and buying gifts for relatives, and another of Rs. 2,000 ($44) for construction of her house. At the same time, she also took a loan of Rs. 5,000 ($111) for setting up a provision shop for her husband. This loan was taken through the group, and was offered by a MFI through the NGO. She repaid this loan fully and took another Rs. 5,000 ($111) from the same MFI for house construction. She used a chit fund[9] of Rs. 5,000 ($111) for house construction. She also took a short-term loan of Rs. 5,000 ($111) from the group, to run a food business during the deepavali festival. Her son took a loan of Rs. 3,000 ($67) from his trader employer to fund house construction. The second son, Gururaja, earned Rs. 70 per day as a construction worker, the third son migrated out for a week at a time for construction work, and the fourth son worked as a driver in a police officer's home. The former two contributed Rs. 200 to 300 ($4.44-6.66) weekly and sometimes brought home mutton or provisions, while the youngest son brought Rs. 2,000 ($44) to 3,000 ($67) a year to the household. Rangamma's loan history highlights the fact of her having different sources of income, from the earnings of her sons, from savings made earlier by the household (in the chit fund) and from other businesses. These multiple sources provided her with the ability to borrow continuously from different sources. Her experience with banks and other formal sources was also positive. Her orientation towards taking loans was to return them as quickly as possible, and therefore she was able to take several loans for investing in assets and income generating activities.

[9] Chit funds operate like rotating savings and credit associations (ROSCAs), whereby members pool in a fixed amount, and the pooled amount is allotted to one member every month, based either on need, or bidding, or on a draw of lots.

The Story of Kaveri

Kaveri belonged to a relatively rich household from the dominant Reddy caste, with a good base of human capital, and an economically active father-in-law, husband and two younger brothers-in-law. The family cultivated 14 acres of land (owned 11 acres and leased three) of which five were irrigated, so they could grow crops for sale as well as home consumption. They had two buffaloes and two calves, too bulls and a dog. The entire milk produce of three litres a day was consumed at home. Her father-in-law managed the lands and cattle, and all family income. Her husband was the vice-chairman of the village panchayat, had a groundnut trading business, and managed household finances along with his father, but was rarely at home. His younger brother worked on the lands and cared for cattle, and the youngest brother worked in a seed company, earning a salary of Rs. 2,500 ($56), of which he spent Rs. 500 ($11) on bus fares and contributed the rest to the family. Kaveri calculated the household's monthly income as Rs. 9,108 ($202); which was probably an underestimation, as she did not know the full earnings of her father-in-law and husband.

Kaveri was encouraged by her family to contest the panchayat elections. She sought the support of members of SHGs, promising them support from government schemes, tractor-loads of fodder, etc.; they campaigned in the villages for her, and she became a leader at the *taluk panchayat*. When she first became a leader, Kaveri was a novice in government, but later, she learnt how the various government schemes operated, and thus became a part of the 'system'. Her progress can be seen in Figure 5-5 below:

Figure 5-5: Dramatic Change in Condition and Position

1999 (before SHG)	• Housewife; looked after children and household work
	• Husband worked as a partner; good income and very few loans
	• Kaveri did not go out of the home often
2000	• She benefited from SHG, through loans and leadership
	• She took loans for household consumption from the SHG
	• She became a leader, participated in politics (*panchayat)*
	• She started contributing to household income
	• She had to follow directions of her husband, about decisions in the *panchayat*
	• She aspired for better school education for her children
2001	• The family purchased land in Koppal
2002	• Economic change at home, increased earnings
	• Increased visibility due to political involvement
	• Husband started trading business through bank and group loan
2003	• Her brother-in-law left his job, reducing family income, then tried agriculture and failed
	• Main responsibility of the joint household fell on her husband, who incurred losses in trading business
	• Her contribution was 20% of the household income, and she was well-recognised by other family members for her efforts
	• Her voice in the family was now heard; she planned household family expenditure with her husband
2004	• She gained the capacity and confidence to take larger loans (over Rs. 15,000, ($333)) at 2-3% interest from external sources
	• She did not want to stand for *Panchayat* elections, but aspired for a seat in the State Legislative Assembly
	• She left the Sampark-initiated group, and formed and joined another BPL group, where she could access government schemes and personally benefit from subsidies
	• She wanted to re-invest in the trading business and get back money lost by her husband
	• She felt that the experience in the SHG and later as a politician had given her new entrepreneurial skills

Kaveri took three loans of Rs. 1,000 ($22) each from the group, to meet household expenses. When the group got its first bank loan, she took Rs. 4,000 ($89) for a poultry unit for her brother-in-law. From the next bank loan to the group, she borrowed Rs. 5,000 ($111) for a retail shop, which supplemented a loan of Rs. 50,000 ($1,111) that her husband took to open the shop. All these loans were from TGB, and unsubsidised. She wanted to take the next loan to construct a shed for sericulture. Over time, as her experience as a *panchayat* leader grew, she realised that only 80% of the members of an SHG needed to be below the poverty line to benefit from subsidised schemes, so she left her own group, and formed another with 17 SC women, and two relatives. She then obtained a subsidised loan sanctioned for this group, and when the loan was fully repaid, the group hoped to get a grant that the members would divide themselves. While Kaveri and her two relatives utilised the loans from the bank, others were expected to benefit from the subsidy later. Kaveri became more ambitious and corrupt, using her position in the *taluk panchayat* to secure resources for the village, but also recommended the non-poor for benefits intended just for the poor alone, and her husband also took commissions from those included in the list of people she recommended. She was able to use the credit and support from the group to set up a business to reach a higher base of both financial and human capital. She attributed her rise to her exposure to the SHG and credit, but more importantly to politics and the awareness and opportunities that her leadership position opened up for her.

The Story of Mariyamma

Mariyamma experienced major livelihoods changes in the recent years. She was 32, her husband Siddappa was 37, and her daughter who was 14 studied in class eight. When Mariyamma married 16 years ago, she first lived in a joint family with her husband and his three brothers; they had 18 acres of land and three houses. When they separated from the family eight years ago, her husband Sidappa got "*rathikuli*", the family granary, which was built on a 20 x 30 feet plot. The land was divided according to its quality. There were six acres of black soil, of which each brother got two acres. From another plot of four acres of black soil, they received one acre each. In addition, Mariyamma and Siddappa have leased three acres of land, so they farmed a total of eight acres. During the year 2002-2003, they constructed a new house on land purchased several years ago.

Mariyamma achieved asset-creation by building a new house, digging a borewell for irrigation, and purchasing bullocks for agriculture. The assets were financed through various loans from groups, relatives, moneylenders, and banks. She explained:

"One major change in my life in the last five years is that I constructed a new house which is big and comfortable enough for both my family and animals to live. I was happy that I could make this big house. After my family separated from the joint family, the household expenses have reduced and we were able to save money to spend on the construction of the new house.

Last year I borrowed from several people, like my relatives, my husband's friends and from the group, for house construction. The loan from the group helped me to buy seeds and fertilisers in time."

She thought the turnaround in their life came from the separation from the joint family, continued access to land and the borewell that enabled an increase in agricultural income. Mariyamma's major income sources were outside loans (60%), agriculture (32%) and animal husbandry (5%). The major expense items were house construction (44%), agriculture (20%), household expenses (15%), travel/transportation (9%) and loan repayment (6%).

The next major project was the building of her home, clearly linking availing outside loans and house construction. Mariyamma also used loans for agriculture and loan repayment. The main sources for running the household and other expenses were incomes derived from agriculture and animal husbandry. The annual income of the household was Rs. 96,353 ($2,141), an average of Rs. 32,117 ($714) per member. As she had eight acres of both dry and irrigated land and was growing commercial crops, they were able to generate 32% of the family income from agriculture. Out of this amount, 80% was from the wetland and from the sale of cash crops such as onion, chillies, cotton, and groundnut. The other 20% was from the dry land which produced mostly food crops. Except for the months of September, March and May, when she took 'outside' loans, she got income from agricultural work. There were various reasons why Mariyamma was able to generate a decent and regular income from agriculture. Firstly, she has enough land and could procure irrigation facilities through loans. Her farming strategy was to grow multiple crops every season. She also possessed the ability to travel outside and sell the produce. The most significant of these factors was availing a loan that enabled her to sink a bore well and thus ensure irrigation. She said: *"Because we now have a borewell, we can grow two to three crops a year and our income has increased. We don't have any difficulties in the family anymore. If we were not to have this bore well we would have to go to others' farms for work. Now we appoint labour on our field and we work mostly in our land."*

5.1.5 Linking Assets, Income/Expenditure and Loan Use

The life and loan histories of women show that livelihoods were critically dependent on the level, quality and types of assets that each woman's household possessed, especially: landholding, number of people in the household, and cattle-holding.

Lakshmavva and Nagavva were the poorest women, with precarious livelihoods, and could barely meet daily family food requirements. Shivavva and Parvathamma just managed to survive. Shivavva was landless, but had six family members with regular *coolie* income, while her younger son migrated for fishing to coastal areas and brought or returned lump sums of money to meet household expenses. Parvathamma had half an acre of land, but it was often uncultivable, and she managed her expenses from money donated from her son's salary and her partner's contributions.

Rangamma, Mariyamma and Kaveri were relatively prosperous, with average monthly incomes of Rs. 7881 ($175), Rs. 8029 ($178) and Rs. 9108 ($202) respectively. Mariyamma and Kaveri had large landholdings, with up to three acres of irrigated land and six to twelve acres of rain-fed land. In both cases, agricultural income formed much of the family's income. In addition, both Kaveri and her husband held positions at the *taluk* and *gram panchayat* levels.

Landholding

The size and quality of landholding is a major livelihoods determinant, and is also associated with caste and inheritance. The landless women, Shivavva, Nagavva and Lakshmavva, were completely dependent upon unskilled *coolie* labour, unless they had a skill that enabled earning. Six research participants had land varying between a half to a maximum of three acres of irrigated land and half to twelve acres of dry land. Irrespective of the size of their land holdings, women planned the cropping pattern to ensure food grains for household consumption and also commercial crops, as depicted in Figure 4-2. This gave them money to purchase other items like clothes, detergents and meet the medical and travel expenses. Agricultural incomes were subject to significant seasonal variation and also depended on the type of land, and all 16 women of the Gallidurgamma group, Hosagondabala (Yellamma and Shivavva's group), belonged to the Madar (SC) community, and depended on coolie labour. They had two acres of government land for each household to rehabilitate, but the lands were flooded from the Tungabhadra dam for up to eight months a year. In the remaining months, members grew pulses and groundnut. The difference between yield on dry land and irrigated land depended on several factors like the amount and distribution of rainfall, cropping pattern, incidence of pests, technical management and human labour invested, as shown in Chapter 4, Section 4.1.1.

Cattle assets

Those with more cattle-holding were able to earn more from either the sale of milk or animals or manure. Smaller animals such as sheep and goats helped meet intermittent needs for emergency cash. When animals were ill, non-productive or died, the household lost both current and future incomes.

Human capital

The size of the household is an important determinant of household income. Though there was no one-to-one correspondence between age and earning, those with most earning members could bring higher *coolie* incomes. They could utilise their own labour to save expenditures (e.g. labour for own land or building own house). When the family was educated or skilled in some trade, they could take up activities like tailoring (Sushila), driving, trading, jobs that provided salaries (Rangamma, Kaveri), or earn migratory income as in the case of uneducated youth (Shivavva). Even if a household with more members had a lower average income per person, just living together itself produced shared economies. In addition, joint families were valued by the women as a source of integration and shared responsibility.

> ***"None of my relatives have helped me. In fact, I give them jumpers (blouse-pieces) as gifts when they come to visit me. When my children were married, I didn't even borrow 10 paise from anyone. As they are independent and earn themselves these days, I have stopped going out to do coolie work. But there is one thing – devadasis must have children - only then can they live. Otherwise, they might have to resort to begging."***
>
> - Yellamma

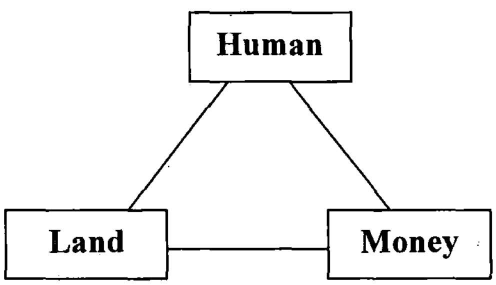
Personal health was critical for determining the earning of the landless, who depended on *coolie* income. Women, particularly *devadasis,* faced health problems including backache, poor eyesight, leg pain, headache, body pain, white discharge, and stomach ache. Shivavva's husband had a leg injury, which did not improve for three months, after which he died, and her daughter-in- law suffered from TB. Rangamma's son suffered from chronic stomach ache and anaemia and died (having contracted HIV/AIDS). Sushila's twelve-year old daughter had an undiagnosed brain tumour left untreated for over four years. Parvathamma had chronic low abdominal pain since child birth, which prevented her from working. She suffered not only physically, but also faced stress and humiliation as villagers alluded to her *devadasi* 'profession' as the reason for her illness. Most women, especially *devadasis* had undergone the family planning operation between the age of 20 and 30 years, despite objections from their partners or parents. These women were the

> ***"Most of my income was spent on medical treatment. First I spent Rs. 5,000 ($111) on the treatment of my husband, for a wound inside his stomach in Hospet. Then I spent Rs. 4,000 ($89) on the treatment of my grand-daughter for a tumour in the neck; she is now cured."***
>
> - Shivavva

primary income earners for their families and returned to work within a week of delivery. When women and their family members fell ill, they could not earn and medical expenses further drained their incomes, but larger households could pay for the medical expenses. Thus, human capital, seen in terms of number of members, age profiles, education and health, determined the household's ability to earn, thereby also the capacity to take and return loans.

The average standard of living was critically dependent on the level and types of assets held. The three most important assets identified here were human beings, land and money. In one validation meeting, the group discussed the relative importance of these different types of capital. Even after much discussion, women did not rank them, claiming that they needed both labour and money to cultivate land, and even if one resource was scarce, it too would affect livelihoods. When asked: "*Would you not put money first, could you not manage everything else if you had money?", they replied: "No. We cannot eat money. Finally we need to eat rice and daal, which comes only from land and labour; money is needed to cultivate."* The diagram they drew is presented in Figure 5-6.

Figure 5-6: Women's Livelihoods Assets



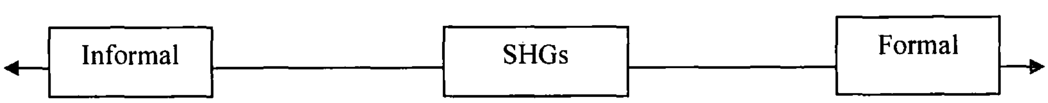
The initial asset base determined the expenditures a household could afford i.e. the livelihoods level. The poorer households were short of cash, and therefore had a lower capacity to repay credit. Women with low levels of assets and incomes frequently took small loans to smoothen their household consumption. Lakshmavva and Nagavva took several loans, each of Rs. 250-300 ($4.44-6.66), from the landlord quite regularly for household expenses, which they repaid with labour.

Women with higher incomes took relatively larger loans (between Rs. 2,000-40,000, ($44-889) often used for asset creation, such as bore wells, trading shop and house construction, and crop loans (usually less than Rs. 2,000, ($44) for investment in agriculture. When all types of capital were taken into consideration, the total had to offer a surplus – either in terms of a family member's time, cash from an income stream, or the possibility of sale of an asset – for women to be able to absorb credit, and to enable further capital creation to take place. The analysis of assets, income and expenses, and loan histories shows that at the individual/household level of impact, the first levels of constraints are the economic ones, related to lack of capabilities (literacy, vocational skills), and assets (land and other assets). These create a vicious cycle that keeps the poor deprived, despite outside efforts to break it through income earning activities and assets. The poorest women did not have the capacity to absorb credit. After gaining insight into the capacity for credit absorption, the analysis now moves to a discussion of the perceptions of women and their experiences in use of money from different sources.

5.2 Analysing Sources and Uses of Money

An analysis of sources of loans, whether formal or informal, was made on the premise that use and impact of loans may be significantly influenced by the source of money, which in turn influences the terms of lending (cost, repayment period and instalments). The social relationships of women with different lenders influenced the give and take of money in a critical way. The use of loans depended not only upon the level of women's own livelihoods and their capital base, but was also related to how it was first accessed. The sources of loans were considered in three broad categories: formal, informal, and loans from SHGs, as depicted in Figure 5-5.

Figure 5-7: Spectrum of Loan Sources



Informal sources included friends, neighbours, relatives, local provision shops, local agricultural input traders, local landlords, and moneylenders. Formal sources included banks and MFIs, who offer subsidised or commercial credit. Loans from groups, i.e. from women's own savings, comprised a source that may be characterised simultaneously as both formal and informal. The SHG is an informal forum, in that it is an unregistered and unregulated financial institution. However, to the extent that it is initiated, organised and monitored by NGOs, and also maintains books of accounts, which is critical for linkages with formal banking institutions, it also takes on the characteristics of a formal forum.

The loans from different sources each had different characteristics, which are now investigated further.

5.2.1 Informal Loan Sources

These could be clearly delineated into three categories, and money transactions with these three 'actor groups' were based on different socio-cultural relationships and value systems. The first category was friends and neighbours who provided soft loans. The second category included local provision shops and agricultural input traders who provided goods/inputs on credit, wherein the cost of credit (i.e., interest rate) was ostensibly zero but was possibly subsumed in the cost of the commodity supplied. The third category were moneylenders and landlords who provided loans on stringent and even usurious terms.

Parvathamma had taken two loans of Rs. 5,000 ($111) and Rs. 2,000 ($44) from the landlord, and a third loan from the group, at 3% per month. She paid the loan from the landlord through *coolie* work on his farm. She explained the repayment patterns:

"I do not get paid for coolie work every day. If four days of coolie wages are due, i.e. Rs. 15 ($0.33) per day, a total of Rs. 60 ($1.33), the landlord deducts Rs. 10 ($0.22) and gives me Rs. 50 ($1.11), with which I buy 2 kilos of rice, vegetables, jowar, and provisions for a week. It can take me two years to repay a loan in this manner. As there are three or four persons at home who can do coolie work, we can manage the household expenses and the loan repayments. When all four of us get coolie work, I

ask the landlord to adjust my full wages against the loan. We can use two people's wages for household expenses and two people's wages for repaying the loans. Two of us work for the same landlord, but another two work for different ones, so we can take two or three loans at the same time. I prefer to pay off smaller amounts first and then repay the larger loans. I also repay the interest from time to time on unpaid loans, so that the interest does not accumulate."

She had taken these loans in 2001; by 2004 she had repaid all loans to landlords, and had only the group loan to repay. Her management of the loans and their repayments showed how she maintained the financial relations with each lender, through a combination of partial and sequential repayments, along with balancing her household expenses through the overall cash inflows.

Table 5-1 provides the details of loans from the three categories of informal loan providers, i.e. the amount of loan, its use and cost and repayment terms and conditions.

Table 5-1: Informal Loan Sources

Source	Amount: Small <500 ($11) Medium 500-2000 ($11-45) Large >2000 ($45)	Use	Terms & Conditions
Friends/Neighbours	Small	Emergency / immediate cash needs	Short term/ no interest repayment
Relatives	Large (for high income women)	House construction	With or without interest, flexible/ fixed repayment
Local provision shop	Small	Provisions	Repayable before next purchase, no interest charged
Local agri-input traders	Large	Fertilisers, pesticides, seeds	Repayable before next purchase, interest nil, or included in price charged
Local Landlords	Small	Household consumption	Repayable through own labour or bonded labour of children
	Large	Marriages	
Local Moneylenders	Small	Household consumption	High interest (10-15% per month), assets hypothecated
	Large	Marriages	

Informal loans were taken to meet household consumption needs. Amounts were small, returned in short periods to friends or neighbours, and no interest was charged. Regular credit transactions with shops included taking provisions and agricultural inputs, and when an earlier loan was repaid, eligibility for further loans was created. Loans from friends and relatives were mostly benign and arose from mutual reciprocity. Regular credit arrangements with provision shops and agri-input traders were regarded as 'no cost' transactions as no interest was charged. Provisions were provided at the same price, whether on cash or credit, as village shopkeepers considered small credit to be a normal sales transaction. However, there was some ambiguity for input traders; the cost of credit could be included in the prices of inputs supplied.

Loan relationships with landlords reflected a wide spectrum of features, from mutual dependency to exploitation, as depicted in Figure 5-8. For instance, Lakshmavva and Nagavva borrowed money regularly from their respective landlords for household expenses. Credit from the farmer landlord, when pledged with labour work, created a knowledge that he would have labour available when demand was high. On the other hand, the borrower women were assured of labour work in the lean season, even if they did not get paid market rate wages. Another reason was that the loan against future labour was given without interest. There were also other seemingly benign features to this relationship. The landlord gave Yellamma lambs to rear, in lieu of keeping her son as a bonded labourer on his farm each year. She reared these as if they were her own and gifted to her. Yet, the position was ambiguous, as the asset still belonged to her landlord, who had to be consulted in case of sale to share the proceeds. The landlord also gifted her a cow after his mother died, and any donations he was required to make as part of religious ceremonies were always given to her. Yellamma used the word 'adopt' with respect to the landlord's relationship with her household. There appeared to be two different understandings working at the same time: that of 'bonded' labour where they felt constrained and tied to the landlord, and of 'adoption' where the farmer in fact committed to provide them with *coolie* work and support them. These may be seen as mirror concepts, working at the same time with the same person.

Figure 5-8: Nature of Relationship with Landlords

'Exploitative' relationships	'Adoptive' or 'benign' relationships
Bonded labour of children Loss of ornaments, land, animals	Gift of lambs each year of work with landlord Gift of cows in case of death in landlord's family

From a market perspective, an agreement to work for a particular landlord may constitute a 'promise of preference' on either side, and an arrangement that contains market forces, which in the agricultural season would mean higher labour cost for the landlord and in the lean season would mean loss of wage labour for the woman. However, these relationships were rarely analysed in such terms, and women did not calculate any opportunity cost in terms such as higher wages. The social embededness of these exchanges in caste and religious rituals thus overshadowed their simple economic/feudal nature.

Women did pay a high cost for credit from their landlords. Small loans, usually around Rs. 250-300 ($5.55-6.66) as in the cases of Lakshmavva and Nagavva, could be repaid through a labour commitment. Even though the financial interest cost was ostensibly minimal, it was often invisible rather than zero, as wage rates considered in lieu of adjusting loans were rarely discussed between borrowers and lenders. A longer-term labour commitment was required for larger loans, and when the Yellamma and Shivavva's sons had to commit to bonded labour between five to six years in order to pay off a loan of Rs. 40,000 ($889), there was little discussion of the boys' wage rate as such. Such loans were not taken for *investment in productive assets* like a cow or a small business, but to fulfil immediate consumption needs, or other social obligations. For the formal lender such social expenditure did not generate any income stream. To many women, however, there was considerable social pressure to abide by them, given that they also feared that their children may not otherwise find a partner if they did not spend on the marriage. This indicates the limits of these feudal relationships where loans to maintain the 'bonded' or 'adopted' families only prevailed on prohibitive terms. Indeed there were no observed cases of women taking loans for productive assets from local sources on such terms (also observed by Hulme and Mosley, 1996).

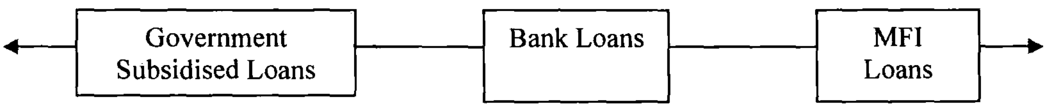
Short and medium term loans of varying size were also taken from moneylenders. Moneylenders provided credit on stringent conditions; higher interest rates, often an asset for security (jewels, vessels, animal, and land), even if this security had higher value than the loan. Many required that repayment be made in one single instalment, and if loans were not paid in time, they could confiscate the asset concerned. In this case, there was no ambiguity; moneylenders were regarded as high cost sources of credit, with a risk of loss of hypothecated assets. The reasons cited in literature for local moneylenders charging high interest rates are varied. The financial logic emphasises the risk in lending to the poor, especially in ecologically strained areas (Hulme and Mosley, 1996) while there are other transaction costs whatever the size of loan (Robinson 2001; Harper, 1998). The structural rationale emphasises the low bargaining power of the poor, and regards moneylenders as high cost and exploitative suppliers of finance.

The findings confirm that poor borrowers in semi-arid areas can invest only in projects and enterprises which carry high risk of failure. High interest costs combine with other, more serious implications of taking loans from local moneylenders and landlords. Those borrowers from moneylenders risked losing their assets (land, animals, jewellery, vessels). Moreover, if the transactions were not in money but other factors (e.g. labour), it could create labour bondage (of adults and children, as seen in the case of Shivavva and Yellamma) which deprived the women of the freedom to use their family's labour for better earning possibilities. By contrast, those who had significant assets were not only able to raise loans, but were also able to improve the quality of human assets in the household, e.g. children could afford to go to school. Thus, the actuality of Koppal represents the financial logic of risk in lending to poor women on the one hand, but also bears out the socially embedded exploitative aspect of rural money lending on the other. This is also born out by emerging research in other contexts, where money gifts and other reciprocity are seen to conceal the hierarchical nature of social relationships (Guèrin, 2006).

5.2.2 Formal Loan Sources

This falls into three different categories: the experience with banks for subsidised loans, and that with banks and MFIs for non-subsidised loans, as shown in Figure 5-9.

Figure 5-9: Spectrum of Formal Sources



At one end were loans provided by banks under government schemes which target the poor and carried a 50% subsidy on loans. Unsubsidised loans by banks carried low interest, being repayable over three years, but were not linked to government schemes and carried no subsidy on the repayment of principal. At the other end of the spectrum were loans provided by MFIs on commercial terms, i.e. 24% interest, and a one-year repayment period.

Government Subsidised Loans

In 1998-99, official norms required that banks lend money at subsidised rates to those women who belonged to households below the poverty line (BPL families). Three of the case study participants had availed of subsidised loans before 1999. Nagavva and Sangavva had experiences with the bank that involved giving bribes for taking subsidised loans. Five years ago, Sangavva had applied for a loan of Rs. 5,000 ($111) to the Tungabhadra Grameen Bank for purchase of a buffalo under the IRDP scheme, whereby 50% of the amount was subsidised and the rest repayable to the bank. She received the loan amount of Rs. 2,500 ($56) but from the subsidy of equal amount, the middleman kept Rs. 1,500 ($33). With the total of Rs. 3,500 ($78) that she received, Sangavva bought a buffalo for Rs 1,500 ($33) and spent the rest on household needs. This buffalo did not calf at all as the seller had apparently cheated her. She had no income from the buffalo, sold it, and used the money for household needs. The total amount of Rs 2,500 ($56) stands as overdue in her name. Nagavva who got a similar amount, could also not repay the money due to insufficient earnings, as explained earlier.

Eligibility for officially subsidised schemes (i.e. the BPL card) was often purchased, and households with more information and linkages accessed the schemes best. Further, the assets financed through these loans were purchased from vendors appointed by the middlemen/bankers/government officers, and were not of the quality that the women might have bought, if they had only purchased the animals themselves. Nagavva and Sangavva did not pay back the loans to the bank. Many women among the 120 SHGs managed by Sampark shared this experience. In several group discussions, women related their experiences with IRDP-subsidised bank loans as involving bribes, low quality of assets purchased by bank appointed agents, low net additions to income and also frequent defaults on loan repayments.

Rangamma, however, had a positive experience. The banker, who offered her a loan for a buffalo, asked her to repay the full amount and only then would she qualify for a subsidy. The banker visited her regularly, maintained a good, respectful relationship with her, and provided her the guidance she needed to utilise and repay a formal loan. When she repaid well, he gave her the benefit of the subsidy. Rangamma got this loan at a time when she needed to sustain a family of four young children. She expanded the animal stock to six buffalos from this one loan. She had a positive experience of the continued relationship of support, and duly paid her loans.

In 2000, the government merged all the credit programmes under its integrated rural development scheme, the Swarnajayanthi Grameen Swarozgar Yojane (SGSY) and government-subsidised credit thereafter was channelled through women's groups (NABARD, 1999). Banks and RRBs provided subsidised credit to SHGs only under the SGSY scheme, wherein the government subsidised the loan to the extent of 50%. The SHGs now had to qualify on the BPL criterion. This meant that all except two or three members of an SHG had to be on the BPL list for the group to qualify for a subsidised loan. Sometimes NGOs and politicians used the provisions of government schemes to take the benefits of grants for themselves, as illustrated in Chapter 4, in the case where an NGO helped a local landlord to form an SHG with his bonded labourers and appropriate government grants and credit. Among these research participants, there was evidence of this from Kaveri, who formed a group of SC/STs, left her original group, and ensured that she and her two relatives were members of this new group, so that they could benefit from the subsidised loans for SC/ST people. In the SHGs covered in the study, two groups of SC women received loans under SGSY scheme. The controls exercised by banks and government officers created the combined effect of unproductive assets and high debts for the women as in the case of Durgadevi group. This group in Mudhaballi had only eight members, and another devadasi group in the same street had seven members, but the bank needed to support a group with at least 12 members, so the two groups made a joint representation to the bank through Sampark. They were to receive credit, subsidised to the extent of 50% under the SGSY scheme. The loan was to be provided by the bank (State Bank of Hyderabad, which was also the lead bank of the district), and the subsidy by the SC/ST Corporation.

The women wanted to buy buffaloes with this loan, but they had very small huts, with no shelter for the animals, so they requested the *panchayat*, and obtained sanction for a common shed to keep all the animals. These same women had earlier protested against a liquor shop in the village and had got it removed so when they needed land for cattle near their homes, the villager leaders (from the general castes) refused, and allotted space outside the village, ten minutes walk from their homes. Further, the bankers and government officials did not permit them to buy animals of their own choice from the local area (those would have been more acclimatised and sturdier), insisting that they buy from an outside market instead. The women wanted to buy the animals in September, when there was abundance of green fodder, but the credit was delayed until December, when there was no green fodder left. The bank and government officials, went on an appointed day, to an animal fare where the broker and technical officer had links, certified the animals and bought them. It was only after Sampark's intervention that these women were allowed to accompany them, and influence the selection of animals and their price. When the animals finally arrived, they were found to yield lesser quantities of milk as compared to local breeds. Fodder had to be brought in cart-loads from outside the village, at more cost. The animals were sickly after re-location, and five died. To these women, the animals had to be cared for like family members, hence women lost wages on days they stayed home to do so.

The officials responsible for constructing the shed exceeded the allotted expenditure and in collusion with bank officers, booked these costs to the group loan. When the women came to know this, they asserted: *"If we had been allowed to make the shed where we had wanted to, we would have made it to suit our needs, at lower cost, and would have saved the money paid for bringing the fodder. Now, with high costs, low yields, and loss of coolie as well, we are not able to pay back the loan to the bank."* They wrote a letter to the bank and government offices, but did not receive a reply from either, and therefore stopped repayments. In such an impasse, the women were listed as defaulters, while the government and bank officers were not held accountable. Moreover, the bank was suspicious of giving loans to the next few SHGs in the village, and other SHGs recommended by the NGO, thereby negatively affecting other women's groups.

There were interesting differences between the original scheme and actual loan disbursement, repayment, and subsidy-disbursement practices. The intention was to provide assets to poor families, in units that would provide significant and continuous income streams. The total loan sanctioned for an individual was Rs. 25,000 ($556), to enable each household to purchase two cows or buffaloes, so at least one could always provide milk, and increased cash inflows, which would allow for regular loan repayments. In fact, banks only released half this money: 'the loan portion', releasing 'the subsidy portion' after the loan was fully repaid. Bankers used this method to ensure that the loan would be repaid. The original intention of supporting poor households was not considered. Local NGO staff also endorsed the bankers' position, believing that many women first needed to manage one buffalo before acquiring another. The field project manager of Sampark said: *"We are convinced about this strategy because it ensures that the group members will utilise the loan well, and repay it. They will be responsible. There is a risk of misuse if amounts released are too large. And anyway people make their own adjustments."*

The Gallidurgamma group in Bikanalli had certainly made adjustments. On hearing about the Durgadevi group in Mudhaballi, they decided to change. Both the loan and the grant were provided by the SC/ST Corporation, and the women negotiated to take all decisions related to asset purchases. When the Corporation released Rs. 15,000

($333) each for eight BPL women, the group distributed the money among 13 women. They decided where to purchase the buffaloes from and contacted the veterinarian for insurance purposes. They spent Rs. 100,000 ($2,222) and saved Rs. 20,000 ($444) for joint purchase of fodder. Two buffaloes died, the insurance was invoked, and loan amounts adjusted. One woman claimed that her buffalo had to be sold so she bought another, which was not yet yielding milk, so she had not started loan repayment. Three other members lacked enough cash for regular repayments. Yet, members collected money whenever women could repay, and the group made regular repayments. A third group of eight in Hosagondabala, Yellamma's group, from among SCs received a loan of Rs. 80,000 ($1,778) with a subsidy promised of the same amount when the loan was fully repaid. With this loan, four women bought a buffalo each, one a bullock, one goats, and two women took leased land for cultivation. They repaid the bank regularly, usually from wages, and also took short-term loans from local sources so as not to default. The group was to discuss how to use any subsidy received, as is, they were likely to use it as revolving fund, or for a collective business. In cases where only part of the groups had BPL cards despite similar income levels, women combined two groups, and took the loan on the names of members with BPL cards and divided the total loan equally. This ingenuity of the groups enabled them to share benefits of external linkages in a more equitable manner, even though the administrative system had anomalies through which such distribution of benefits was not possible. These cases also demonstrate an ability to use innovative strategies to ensure equity, while at the same time fulfilling external conditions for taking loans. When they could exercise control and flexibility over money, they could sustain the group's 'joint liability' character.

Of all the 33 loans taken by participants and their group members from banks under subsidised schemes, 14 had good repayments, while 19 remained partially or entirely overdue. An analysis of why people did not repay is given in Table 5-2.

Table 5-2: Analysis of Subsidy Loan Defaults

Reason for Non Payment / Women	One-time and not continuing relationship	No link between repayment of old loan and access to new loan	Unproductive investment
Lakshmavva and 14 others	☑ Misunderstanding with banks, government	☑	
Sushila	☑ One time contact	☑	☑
Yellamma	☑ Bribe paid	☑	☑
Sangavva	☑ Bribe paid	☑	
Mariyamma	☑ One time contact	☑	

In most cases where people received loans from banks through a subsidised scheme, the investment had yielded additional income. Repayment was influenced both by the interest and follow up by the bankers. For Rangamma, and the Gallidurgamma group, it was a relationship of trust with the banker/Corporation. When people had paid bribes to benefit, they considered the bribe a payment for having received the benefit, hence did not care about repayments. In most cases, it was a one-time contact of a transactional nature, between the woman (or her mediator or husband) and the banker (or a mediator), with no prior relationship with the bank or one formed as a result of this transaction. As subsidised loans were given as part of targeted programmes mandated by the Government, they were in fact one-time transactions and banks did not intend to have continuing loan relationships with their debtors. Where the debtors did not perceive the possibility of new credit following the repayment of the old loan there was no incentive for people to repay. The analysis suggests that labelling of non-repayers as 'defaulters' needs to be questioned. Non-repayment did not imply that women who did not pay the loans had less integrity, or less ability to pay, or that their investment had failed. No relationships of trust were created and therefore integrity did not come into play, or was even subverted/suppressed by rent-seeking practices of middle-men, bank and government officials.

Unsubsidised Bank Loan

In the middle of the spectrum of the types of formal loans, Figure 5-9, were unsubsidised loans offered by the Regional Rural Bank (RRB) in Koppal, the Tungabhadra Grameen Bank (TGB). Typically, these carried an interest rate of 12% per annum and a repayment period of one to three years. TGB extended a new loan when the first one was repaid; thereby creating a client relationship that was based on good financial conduct and trust, as illustrated by the experience of Kaveri's SHG, as illustrated below.

The Hemareddy Mallamma SHG in Chukanakal formed in 1999 with 11 members. Its first loan was Rs. 12,000 ($267) from TGB. Four members used it for agriculture and business. The group guaranteed the loan, paid interest of 12.5% per annum to the bank, but the four women paid at 24% per annum, thereby creating interest for the group. The women repaid the loan in ten months instead of the twelve months permitted, which also reduced borrowing costs. The bank then loaned Rs. 27,000 ($600), which was used by another four members of the group. This loan was also fully paid and the bank sanctioned a third loan of Rs. 50,000 ($1,111). The total savings of the group came to Rs. 24,140 ($536), from which they had given loans of Rs. 30,800 ($684) with their cumulative interest earning being Rs. 12,396 ($275). Even though members could not save regularly, the group still made profits due to the inter-loaning transactions and the margin earned on the bank loan. In the same way, Rangamma's group, the Kasturibai SHG got a loan of Rs. 20,000 ($444) from TGB on the same terms, which was also fully repaid on time. Several groups in the village received loans from TGB without subsidy. Two groups got Rs. 10,000 ($222) each, one group divided Rs. 1,200 ($27) each among eight members, and another group divided Rs. 1,000 ($22) each among ten members. They bought one sheep each. The groups paid back these loans in six months. They levied interest at 12.5%, which was the interest paid to the bank, and decided not to keep a margin for the group, to make individual profits. The women not only repaid these to the bank but also earned a profit margin for the group or individuals. This resulted in increased sizes of subsequent loans and successful repayments, creating projects for the banks as well as the SHGs.

While only two of the seven research groups received such loans in 2003, by 2005 all seven raised a total of Rs. 1.57 lakhs ($3,489) from the local RRB, TGB, of which Rs. 1.53 lakhs ($3,400) was repaid by August 2005. Further, in 2003, only 10 of the 120 SHGs promoted by Sampark received loans, but by 2005, a total of 42 groups received unsubsidised loans. The SHGs indeed learnt from each other and started to give loans first to BPL members, with the rest of the group guaranteeing repayment, and once loans were fully paid, and also subsidy received, the group would retain it as revolving loan to be shared by all members, ensuring of benefits were equitably distribution among all. This practice slowly spread to all the villages covered by Sampark, with minor variations from group to group. Only one bank in Koppal taluk was able to create such a relationship; all 42 loans given to Sampark groups were by TGB. The other banks in the district continued to follow a targeted approach and loans to SHGs were limited to those mandated under subsidised schemes. Thus, though the RRB realised the market potential of lending to the poor, other banks were slow to offer regular credit and establish client relationships with SHGs.

Unsubsidised MFI Loans

Here one MFI offered unsecured loans to individuals at an interest rate of 24% (flat) per annum and repayment period of one year. Eight women from two SHGs, the Kasturibai SHG and the Durgadevi SHG opted to take this loan of Rs. 5,000 ($111) per woman. The loans were utilised for petty shops, agriculture and purchase of a buffalo, and were fully repaid. Overall, among groups managed by Sampark, a total of 120 women opted for loans from the first MFI, The Bridge Foundation (TBF). Another MFI required a security deposit and higher effective interest rate, therefore was not utilised at all.

5.2.3 Group Savings Loans

This research analyses savings of groups as an important source of funds for women, and how groups managed and perceived financial transactions from their own savings. This analysis is elaborated in Chapter 6, along with a discussion of group learning processes.

Summary

Traditional microfinance tracks the use of money from a financial standpoint. This research took a longitudinal perspective and discussed the major changes in women's lives. The women first described the changes, then identified the factors that they considered critical to these changes, their livelihood, their position in the household, or wider community. This analysis showed that credit formed one factor among many that could effect positive change in women's livelihoods. Other factors included support from partners, improved skills, access to leadership positions to access resources, and size of family. There were also women who had limited benefit from microfinance, and some who had none of these possibilities who did not improve their livelihoods significantly during the study period, especially those who had low social positions and asset levels.

5.3 Factors Affecting Use of Money

The loans taken by SHGs in a particular microfinance programme operated by an NGO/MFI depend on several factors. These include demand and supply factors, which are not necessarily in equilibrium. The discussion of factors affecting use of money is also accompanied by the terms women use for money and how they classify it. Women refer to money as *'rupai'*, a common term for money, as when they say *"nanage ondhu savira rupai sala kodi"*, meaning 'give me a loan of Rs. 1,000 (\$22). They use *'duddu'* and *'hana'* for household transactions between family members, when they want to buy something, or check with another if they have money. These two words refer to small transactions, e.g. coins used for daily needs. The word *'rokka'* refers to large amounts of money, for example: *"avaralli hechhu rokka ithhu"*, meaning he has lot of money, or *"hechhu rokka beku"*: I need a lot of money. The word *'sampattu'* refers to sources and assets, and also for money kept in the bank, fixed deposits, and jewels. Thus there exist words in the local language that signify amounts of money, and these words are also related to specific uses of money.

5.3.1 Relationship Lending

Informal loans could be classified into three different types. The first – from friends, neighbours and relatives – was the most important and often provided interest free loans. On some loans, however, interest was paid even to these sources. The amounts varied from small to large (Rs. 100 - 40,000, $2.22 - 889) and the purposes varied from household consumption and social expenses, to agriculture and housing. The repayment period was often flexible. Size and purpose depend upon ability to borrow (and ability of peers to lend) therefore the income earning impact of these loans tended to be limited. The second source was local provisional shops and agriculture input traders. Any loans from them were taken mainly in the form of commodities purchased on credit. These loans were normally repayable before the next purchase and interest was often included in the price of commodities. These were perceived as normal commercial transactions and had the effect of easing cash flows of the borrowers. Women normally used the word *'Kaigada'* for any money or commodity borrowed from friends, family members and relatives. For instance, if two kgs. of *jowar* was borrowed from a neighbour, the same had to be returned, or if Rs.500 ($11.11) was borrowed from a relative, the money had to be returned. The term literally means: hand-loan. *'Mungada'* is cash advance taken without interest.

The last source of loans included the local landlords and moneylenders. They often provided credit either on hypothecation of physical assets or human labour, including bonded labour of children and women. Clearly these intended to be limited to the borrowing capacity of the women in terms of their holding of physical or human assets. Women perceived these loans to be the most potentially exploitative. They referred to loans given against security of land, jewels, etc. for a limited period and with high interest, as *'vathi sala'*, with a clear understanding that if the loan is not paid in time, the *'vathi'*, or security, would be taken instead of the amount repayable. However, when landlords gave gifts to poor families, these blurred the perception of the exploitative aspects of the feudal relationships, even though women did not fully control the assets so gifted.

Formal loans were also classified into three types, those subsidised by government, unsubsidised bank loans and loans provided through an NGO/MFI. Government subsidised loans were given only to families qualifying through being below the poverty line. Prior to 1999, individuals were targeted, where as after 2000 such loans were extended to women SHGs. An analysis of loans from different formal sources to SHGs is done through a consolidation in Table 5-3.

Table 5-3: Loans from Different Formal Sources (August 2003)

Formal Sources	Banks, Subsidised Loans	RRB (TGB), Unsubsidised Loans	MFI, Commercial Loans	Loans from SHGs
Number of Women	30	18	8	70
Total loan taken Rs. ($)	150,000 (3,333)	59,000 (1,311)	40,000 (889)	130,772 (2,906)
Repayment record	Poor	Good	Good	Variable

The findings showed that inefficiency and corruption in purchase of assets led to non-repayment. Even though corruption persisted in the allocation of the poverty certification, innovative group processes enabled poor women to access these loans. By contrast when the bank provided unsubsidised loans, it did so with apparent recognition of the groups' repayment capacities. The relationship that existed between bank and the group was one of service provider. Such loans were found to be paid back in time and sometimes ahead of time. The third type was unsubsidised and from MFI/NGO often with an interest rate of 24% per month and the repayment schedules extending over a year. The processes were more transparent and the relationship was of equality, however the terms of these loans were often too stringent for the women to be able to use them. Production in the semi arid region of Koppal was problematic, and the women were not confident of repaying, so many of them did not opt to take these loans.

'*Sala*'is the common term used for loans. The women classify three different types *sala* from formal sources:

1. *Dheerga avadhi sala* – Long term loan: This is the bank loan given for a period of four to five years, and repaid in half-yearly installments, e.g. loan for housing, tractor, pump-set, etc.

2. *Madhyama avadhi sala* – Medium term loan: refers to borrowing either from a bank or from moneylenders, for a one or two year period, to be repaid in half-yearly installments, e.g. loans for crops, business, marriage, borewells, etc.

3. *Finance sala* – Short-term loan: refer to all loans repayable within one year and in monthly installments. People refer to loans from their SHGs, SHG-bank loans as *'finance sala'*.

While women preferred the first two, they did not opt for *finance sala* except from their group savings.

5.3.2 Demand Related Factors

There were several demand-related factors that influenced women's loan use.

a) Potential to Take and Repay

If there were many earning members within the family, this provided cash inflows from which the loan instalments could be paid. For instance, if the son went out for migration, he had access to lump sums of money, which enabled the family members in the village to raise loans for an asset. Women considered household capability for cash generation, and the needs and capacities of all members of the household, before availing loans, thereby ensuring that use of loans was a household decision.

"I always remind my children about loan so they try to give their maximum earning to me, otherwise they spend a lot and contribute less to the family. Even my children are concerned about a loan burden. So we take a loan only after a discussion in the family, so that everybody takes the responsibility to repay it."

- Rangamma

b) Purpose

As seen in Chapter 4, there were risks associated with the investments. Agriculture, for example, carried many ecological uncertainties, and few off-farm opportunities existed for investments that suited the skills of women and their family members. This limited the productive use of credit in this semi-arid region where ecological risks formed a definitive constraint to credit off-take. Another mismatch in demand and supply of credit aroses from the conditionality of the purpose for which credit was available from formal sources. While women needed the money for household consumption and medical treatment, the credit available in the research area was 'buffalo loans', the only subsidised scheme offered by the IRDP/SGSY.

Loans were also needed to pay off earlier debts. Nagavva's parents asked her cousin and suitor to pay these if he wished to marry her, and he migrated to be able to do so. In this case, indebtedness was a reason for migration, but was also used to separate the two cousins, and retain parental control over their daughter's future time and labour. Thus the stories also highlight the way money is used to control intimate relationships, as elaborated by Zelizer (2005).

c) Seasonality and Repayment Schedules

Women preferred to take loans only when they actually needed it, while external agencies interpreted money kept in groups as 'idle funds' during the periods when loan demand was low (Sampark, 2000). The credit off-take was not the same throughout the year. The need for funds varied, and the inflows were seasonal too. Productive credit, usually taken for agriculture and animal husbandry, due to the cyclical nature of earning, demanded credit products where repayments were synchronised with the cash generation cycle of the project. Instead, commercial microfinance practice was stringent and expected uniform repayment, as evidenced by their providing loan three months late to the Durgadevi group, depriving them of the benefit of green fodder and making the asset more expensive. Thus, many poor women preferred productive credit terms that matched their seasonal cash inflows.

The practice instituted in commercial microfinance, of weekly or monthly repayment instalments, is ostensibly based on the premise that poor women would find it easier to repay small amounts in regular instalments, than find large lump-sums at one time (Premchander, 2003; Rajagopalan, 2004a). Women's preferences were not so clear.

In some situations, they got regular deductions made by the landlord from their weekly wages, as in the case of Yellamma. Yet, they also refused to take loans from TBF on these terms, and explained: *"It is not convenient to repay the landlord and the external loan at the same time. We prefer to repay first one loan fully and then repay another."* The preference to repay one loan first as compared to another was also influenced by the possibility of taking the next loan, by the terms of that loan, especially the interest cost, and whether any labour bondage was attached to the loan.

d) Cost of Credit

It is often assumed that poor people need access to credit and that cost of credit is not a consideration (Harper, 1998). Microfinance specialists judge the prevalence of high rates of interest (5 to 10% per month) in rural areas to be evidence of high demand for credit. Rosenberg (1996) claimed that no one could point out a single example of a "*microfinance programme that ran into trouble by driving away clients with interest rates that were too high.*" (Ibid: 10)

This research does not support the argument of the financial systems approach that the poor can pay very high rates of interest. The experience of the NGO in this study was that when credit was offered at a rate of 2% per month, combined with uniform repayment instalments spread over a year, the poor did not take loans. Poor women took credit for income generation only if they could find good local opportunities for investment, the profitability from the new investment covered the cost of credit, the resulting cash flows permitted adherence to externally demanded repayment schedules, and if the risk of delay or default was thought to be low. By contrast, they took loans for household consumption and social needs, even at high costs, from lenders with whom they had long-standing relationships and where there was possibility of repeat loans.

5.3.3 Mismatch of Demand and Supply

This thesis finds that women did need productive credit to improve their livelihoods and the credit was needed on terms that were friendly to the ability of the poor to repay. The demand for loans depended on the perception of risk and opportunities available and on terms of supply of credit. Women preferred the repayments to be linked to cash flows generated through the project in which the new loan would be invested. The agencies that supplied credit often did not see these risks as they were perceived by others. From their own perspective, they preferred regular and high loan off-take, so that the microfinance project could break even. This was witnessed in the credit models designed in Bihar and Koppal. In the latter case, women rejected the loan products that did not factor in the seasonality of their cash flows. This created a demand and supply mismatch.

Microfinance supply was depicted across a continuum of offers, ranging from subsidised to commercial credit, as depicted earlier in Figure 5-9. Subsidised credit in Koppal was limited and offered only under government programmes. Banks provided subsidised credit only to the minimum number of groups that they were required to cover under these targeted programmes. Further, the number of such groups targeted was low compared to the number of groups formed in the district, resulting in inadequate coverage of the poor; therefore subsidised credit was limited in scale and ridden with inefficiencies as well as other problems like corruption. At the other end of the spectrum of loan possibilities was commercial microfinance, which was offered on terms that women could not afford to take, given their initially low levels of income and therefore low capacity to pay, and the lack of investment opportunities in the region. The middle range of the spectrum represented the huge market that was created by having women's groups as clients who provided risk coverage as well as cost reductions for the supplier institutions. TGB recognised women's SHGs as a potential market and extended credit to them based on a continuing relationship. The credit was offered on terms that were beneficial to the women, and the fact of good repayments enhanced the sustainability of the Bank. The constraints to expansion of such unsubsidised credit in this spectrum were inherent in the government's Service Area Approach, whereby each bank was supposed to service one specific geographical area, usually comprising a few blocks in a district. Banks responsible for particular service areas were not always as forthcoming as RRBs, and continued their conservative approach, denying normal credit to SHGs. Thus, the supply constraint was overcome only in the service area of the RRB in Koppal, while it continued to persist in those areas serviced by private and conventional banks (as evidenced in Table 4-9).

Thus, the amount of loan taken by individuals and groups depended upon several factors, and perceptions of these were different from the point of view of commercial microfinance practices. This is explained in Table 5-4.

Table 5-4: Factors and Perceptions Related to Value of Loan Taken

	Women's Own Perspective	Commercial Financial Perspective
Seasonality	Take loan when needed, and repay when cash is surplus	Matching of cash inflows and outflows important for sustainability, therefore seek uniform flows
Project/ Enterprise	Agriculture is risky in semi arid and few income earning opportunities exist in non-farm sector	Semi arid and remote regions become high cost regions and therefore not attractive for commercial microfinance
Initial Capital Base/Capacity to pay	Those with higher asset base, steady income flows have higher capacity to pay	Focus on poor gets diluted, services provided to the 'economically active poor'
Repayment Terms	Women prefer three year repayment terms and balloon repayments, or quarterly instalments	Preference for weekly or monthly and uniform repayments, of equal instalments
Cost of Credit	Preference for 12 to 24%	Pegged at 24 to 48% effective rates
Source of Credit	Preference for 'own' sources, i.e. savings first, both NGO and banks/MFIs viewed as 'external' sources	Savings viewed as source of finance for the MFI, and women's preference of 'own' sources not recognised or respected, even feared

Women considered the risks from taking loans from external sources to be high; at the same time MFIs perceived a high risk in lending to the poor, on terms different from those of commercial microfinance.

Thus, an apparent paradox emerged whereby credit needs of poor women were unmet by the formal banking system as it is currently organised, while commercial credit offered through NGO/MFIs was at terms that women did not opt to utilise. The mismatch related to the following aspects:

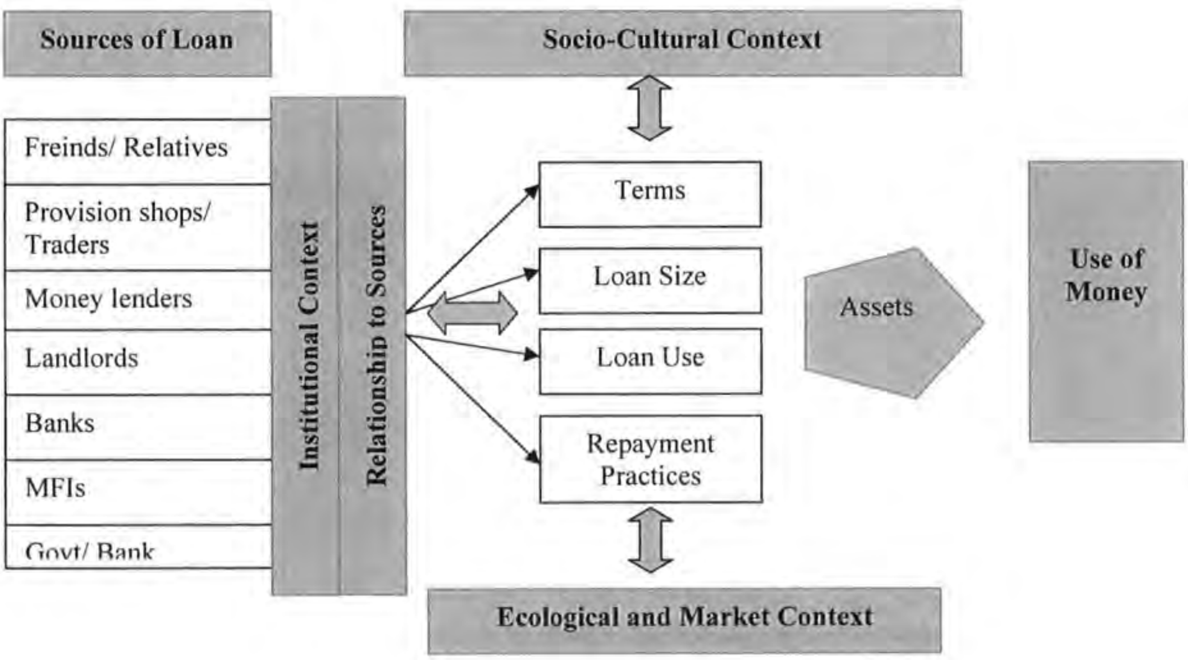
1. Lack of loans for consumption purposes
2. Inadequate loans from the banking sector
3. Incompatibility of terms of commercial microfinance with needs of women in semi arid regions.

These findings indicate that while unmet demand for credit existed, the 'financial products' available were not suited to women's needs and preferences, thus indicating a gap between what would meet women's livelihoods needs and the microfinance that was actually on offer in the rural informal or formal markets.

5.4 Summary

The above analysis highlighted certain factors critical in the use of loans: the initial asset base, and the source from which the loan was taken. The nature of the source and ensuing relationship with the borrowers determined the terms of credit costs, repayment schedules and therefore influenced the size and purpose of the loans. This is depicted in Figure 5-10.

Figure 5-10: Determining Factors for Use of Loan

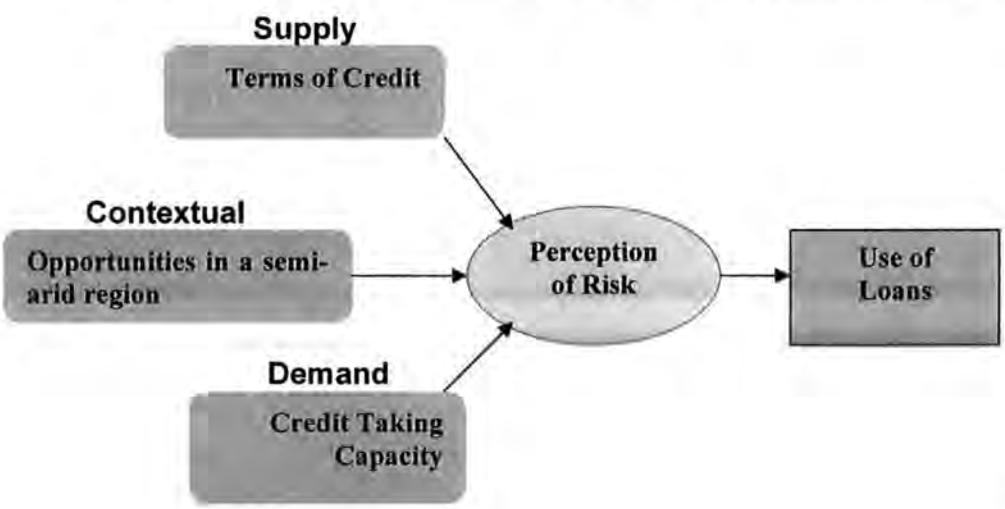


Landlords did not charge an interest cost; however, when large loans were taken, higher costs were paid in terms of bonded labour of children. Small advances were adjusted against wages, and blurred the view on exploitation through wage rates. The binding and benefits arising from committed labour appeared as two faces of the same coin. Women stated a clear preference for freedom rather than committed labour for high season, even if the loans created a certain minimum employment during the lean seasons. Loans from landlords and moneylenders were taken to smooth consumption or to meet large expenses arising from social obligations (e.g. marriages). Loans from these sources were not associated with income generating activities or enterprise start-ups. One reasons was the relationship between terms of credit and use of credit for IGA and micro enterprise. Women in the seven groups studied consistently denied credit offered on standard 'commercial microfinance' terms, when the projects they envisaged yielded seasonal income flows, a feature that Sampark staff said applied to all its 120 groups. This indicated an association between the following factors:

- Terms of credit (i.e. interest, repayment period, frequency of instalments: supply related factors)
- The opportunities available for businesses with steady as against seasonal income streams (i.e. feasibility: contextual factors)
- The credit taking capacity of the women (i.e. asset, income stream and other factors determining capital: demand related factors).

These are depicted in Figure 5-11.

Figure 5-11: Factors Determining Use of Credit for Enterprise Start Up



Thus, even if subsidised credit is viewed as a distortion of market forces, the market does not yet provide credit on terms that are acceptable to the rural poor, given the limitation of the external context of application and use of such money. Institutional delivery of microfinance needs to recognise the importance of trust, and create long-term relationships before the poor are convinced about sustained access to loans, and offer effective demand for credit. The study of loans from informal and formal sources shows that factors that influence use of money are related to both demand and supply, which are influenced by the perceptions of the different actors concerned, creating anomalies in the type of credit demanded and supplied. In the spectrum of formal loans, the SHG-Bank linkage model that provides credit without subsidy appears as the emerging model with long term potential for change. It considers women as a market, provides loans without subsidies thereby removing possibilities of corruption, provides loans at a cost women can bear (12% per annum) and establishes long term relationships through repeat loans. This model is specific to the Indian microfinance scenario and has as its foundation women's SHGs who provide the link between poor women and the formal financial institution, the RRB. This highlights the importance of the new source of funds introduced by microfinance programmes, the SHGs. Analysis of savings, the processes in SHGs and the impact arising from different types of loans are now discussed.

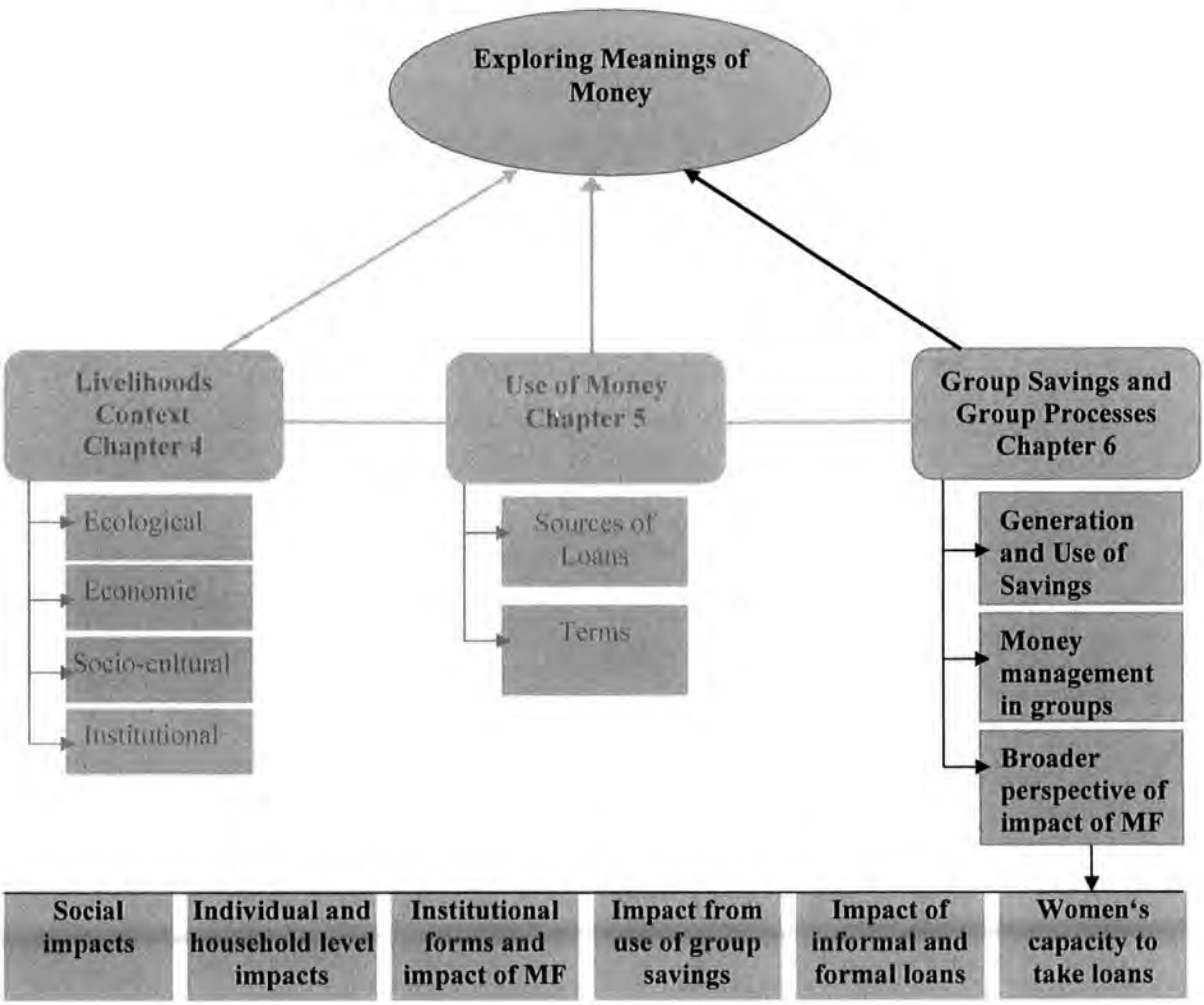
Chapter 6

Use of Money by Groups and Group Dynamics

How women perceive and use money borrowed from external sources was mediated by the SHG in creating a bridge between individual women and formal institutions like banks/MFIs. While being conduits for channelling external funds to individual women, SHGs create the possibility of using another source of money: women's own savings.

The chapter is based on the following model:

Figure 6-1: Group Processes and Dynamics

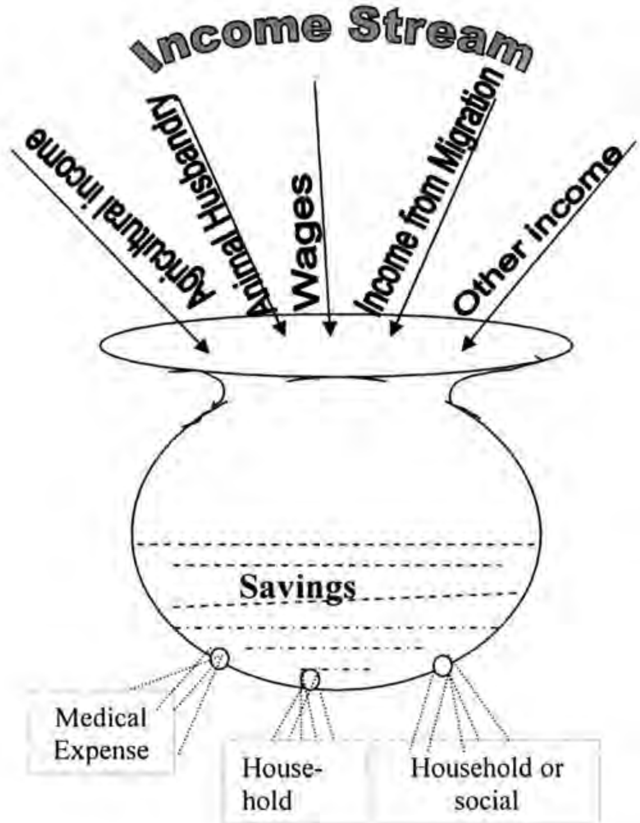


This chapter examines the basic foundation of SHGs, namely accumulation and management of savings, which was the most important issue for the women. It elaborates the experiences of the seven different groups to which the case-study participants belonged, and others within and outside Sampark, to examine what this new forum means and how groups managed money. It illustrates how the group processes and dynamics provided experiences that led to women 'owning' these externally introduced organisations, i.e. managing them in ways to suit their own needs and preferences. The processes reveal the importance of social relations when women use and manage money.

6.1 Generation of Savings

The research questions relating to savings include: the role of savings, how women save, the implications of irregularity while savings, and the amount of savings concerned. The amount and regularity of savings was found to be determined as much by NGO rules as by women's own capacity to save. The factors which determined savings were the number of family members earning a wage, especially cash wage; whether *coolie* work was available that month, and the household expenses. The emergency need for medical and social expenses were the two important reasons of leakage that diminished women's ability to save, as illustrated in Figure 6-2.

Figure 6-2: Livelihoods Perspective of Savings



Poor women saved from their own or their families' *coolie* wages and many depended on wages from casual agricultural labour to make their savings. Thus, the regularity of savings depended largely on the availability of agricultural labour, and therefore varied according to seasons. These women found it difficult to save even very a small amounts of Rs. 5 ($0.11) on a regular basis and also faced the problem of alternate demand and use of cash within the household. Typically, they faced several competing uses of money. For instance, illness and other emergencies demanded immediate cash. Yellamma for example said:

"This year we got one bag of horse-gram from the farm, which we have not yet sold because the rate has fallen. We have sown jowar, which is yet to grow. There was less rain, so the yield has been low this year. There is no coolie work this year because of low rains, so I go to my landlord's house to work. My daughter-in-law is at home because for the past one month she has been sick. I took her to Koppal twice,

I have spent Rs. 150 ($3.33) but her fever has not yet reduced. Even my daughter Gayathravva is not well, she has rashes on her body, I took her to Koppal for a check up and spent Rs. 100 ($2.22). She is willing to work but there is no coolie work. Devappa, my son, is working on a food-for-work programme digging a pipeline. They don't pay cash, but have given one bag of rice instead, which I have used at home. No one in the family other than my son and I are earning, and due to pain in my limbs I stayed at home for four days. Later I went to Koppal and got medicine and the expense was Rs. 60 ($1.33). This month I have had only hospital expenses. I have not saved any money in the group this month. For three weeks no one has gone for coolie work; instead I have taken Rs. 150 ($3.33) from the group, which I have to repay. Normally, my son, daughter-in-law and daughter also earn, so whatever my daughter earns, I save that money in the group."

Poor women tended to be irregular savers when cash was low as when illness reduced the chances of labour, or in the face of other emergency or household needs. Conversely, they saved more when they had regular inflows, but the overall pattern was erratic. By contrast women who had regular incomes, e.g., Mariyamma from agriculture, Sushila from tailoring, Sangavva from agriculture and labour, Rangamma from the provision shop and Kaveri from the trading business or government salary, did not find it difficult to save the mandated amount of Rs. 10 ($0.22) on a weekly basis.

Among the savings groups in Koppal, many women pegged the savings at a regular amount. Some started their savings with Rs. 2 ($0.045) per week, graduated to Rs. 5 ($0.11), and stabilised at Rs. 10 ($0.23) per week; few saved Rs. 20 ($0.45) or more. For instance, saving Rs. 1 or 2 ($0.02 or 0.04) per day, and then adding the balance on the last day of the week meant they could save the amount of Rs. 10 ($0.23). Gonibasaveshwara SHG, Bikanhalli, (Nagavva and Sangavva's group), had 16 SC

"....Now, four members have joined the group; they had been members in our group earlier but they withdrew the membership and took their money back. Their savings were not on par with ours but now they are saving Rs. 10 ($0.23) like us".

– Yellamma

members of which five were landless and another ten were marginal farmers. They depended on work on their own lands and coolie work on other people's lands. They conducted meetings regularly, but the savings were irregular. In 2000, when there was no rain and little agricultural work, they were unable to make any savings for three months, and were irregular for another three months. Of the three groups that Sampark had promoted in Hosagondabala village, the Nulvi Chennaiah group, comprising of the Koravar community, migrated for four to six months every year to collect material for baskets that they made and sold. They did not follow the SHG methodology of meeting once a week of bringing in savings regularly and repaying in regular instalments the loans they had taken from the group. The SHG dissolved in one year; three members joined the another group. The Hemareddy Mallamma group in Chukanakal, Kaveri's group, had 13 members, of which two withdrew because they could not save regularly. Even among those continuing as members, savings were irregular due to health problems, lack of coolie work, and consequent shortage of money. The attendance at meetings was low where women worked night shifts, and when the leader, Manjula, married and left the village, the meetings stopped as there was no literate person to conduct them. Savings were erratic because earnings were erratic, and/or meetings irregular. In the Bharmalingeshwara group, Mariyamma stated: *"We have not saved or repaid loans for the past six months. For the past three months we have completely stopped bringing money to the group meetings. There is no rain, no work, and no money to bring."*

However erratic the earnings, women claimed they were serious about savings. Lakshmavva's group comprised of the poorest women, hardly able to

Members of Pakiravva's group in Hyati village of Koppal contributed Rs. 10 ($0.23) for the group savings as mandated by the NGO, and brought an additional sum of Rs. 10 ($0.23) to their group meetings. They pooled this latter sum, amounting to Rs. 200 ($5) per week, and drew lots to allot an amount to each member every week. In this way, each woman got one lumpsum, and when each member received the money once, the process was repeated. This was a method different from the savings method mandated by the NGO. Women found that their own system of managing savings more efficient than the NGO's. They did not have to return all the additional savings. Instead they managed it as the 'merry go round' described, and there was no interest payment involved.

sustain their families, but they still met regularly and brought savings. Bharmavva said: "*Even if we face difficulties at home, we bring the savings. This way we know for sure that we are building up to an amount that we can use, either to pay off our loans to the group, bank or to someone else.*" There were also groups that saved *more* than the amount mandated and monitored by the promoting NGO/MFI, because they could then use it as they chose, as in an SHG in Hyati village, given in the accompanying box.

The geographical context where the women lived was also important. There was drought in Koppal from 2001 to 2003, which led to low and irregular savings among many women's groups. Among the groups initiated by the local NGO, many members dropped out as they could not save regularly, and due to migration from the area, many groups were forced to dissolve. Of the 130 groups initiated by the NGO between 1998 and 2003, 20 dissolved due to these factors. By external/NGO standards, these groups were judged to have neither regularity nor a good volume of savings, and perhaps even labelled as defunct (Premchander, 2002). NGOs tended to judge groups by the regularity of savings, and normally did not make allowances for other factors (seasonality of agricultural income, droughts, ill health, household needs and emergencies). NGOs also judged total savings to be an important indicator of the financial strength of the credit programme, believing that women should save only in the groups they facilitated, thus regarding use of savings outside NGO-managed groups with suspicion. These judgments arose from the following financial perspective, and raised concerns about the management of the financial programme (Figure 6-3).

Figure 6-3: Financial Perspective of Savings

High amount of saving	+	Regularity of saving	=	High Creditworthiness

Women, however, valued savings, and even if they could not save for several months, most groups continued to meet intermittently, as and when they could bring in savings, which kept the groups operational. This reflects the value they attached to their savings.

6.2 Management of Money and Group Dynamics

Women's management of their own money was directed at maintaining social relations and solving group conflicts with beneficial learning effects, but sometimes created financial risks.

6.2.1 Use of Savings

Microfinance interventions that operate through SHGs have introduced a new source of loans: the savings of SHGs. The common practice developed earlier by NGOs, when the SHG based credit methodology was still being tested, was for groups to deposit their savings with the NGOs or local banks. Loans to SHGs were then determined according to the savings deposited by the group (Sampark, 2000; Vyas, 2003). The ratio of loan to savings was typically 2:1. There was usually an elaborate system by which the ratio of loans to savings would become 4:1, 8:1 and so on over successive loan cycles, reflecting the increased credit-worthiness of the SHGs over time.

The groups in this research had control over their savings and the freedom to decide how to use or distribute these savings. Sampark did not collect women's savings as deposits, instead encouraged women to open bank accounts in the group name. The intention was to familiarise women with banking operations. Like several other NGOs elsewhere, Sampark encouraged groups to keep initial savings safe until 'group discipline' was established, (a process which happens normally after three to six months), and then begin to rotate their savings in small loans among themselves. Initially (1998-2002), many groups promoted by Sampark did not open bank accounts. They thought the cost of travel to a bank was high, and as they had several livelihoods needs for which they could use small loans, they began to give each other small loans from their savings to meet these. Also, women had to travel long distances to find banks. This was costly and since they themselves had credit needs, it was less expensive and more prudent to use it for meeting their own immediate needs for small loans. If the group was not planning to take a loan from a bank, it believed that it did not need to prove its creditworthiness, and therefore did not need deposits. For these reasons, groups preferred rotating the savings as loans (the practice of inter-loaning) rather than keeping them as deposits.

As SHG based credit became more accepted, bankers realised that women might not deposit money in banks, but rather practice inter-loaning, and therefore began to assess inter-loan transactions to determine loan-taking capacity of groups (NABARD, 1999). Also, by 2003 some groups believed that they could access credit from the banking sector and opened and operated bank accounts in the expectation of obtaining subsidised loans. This trend was apparent in the Sampark groups by 2005. For instance, Sushila's group, Basaveshwara SHG of Mudhaballi, opened a bank account only in 2005, in the fourth year of its formation, in the hope of obtaining bank loans. A bank account also proved useful when women wanted to close the transactions, as in the case of Durgadevi group, when the women sought to collect enough money to pay off the bank loan and avoided being 'defaulters', or when they wanted to redistribute the money among themselves.

Groups valued savings as a new source of money, as it constituted 'self-owned' capital, and took loans from group savings on a continuous basis. The details of savings, loans generated from savings, and interest earnings accruing to seven groups to which research participants belonged are given in Table 6-1.

Table 6-1: Details of Loans from SHGs (August 2003)

Group Name	No. of Members	Age of the Group	Savings Rs. ($)	Interest earned Rs. ($)	Loan Details		
					Cumulative Loans Rs.($)	*Purpose*	*Interest, Repayment schedule*
1. Gallidurgamma SHG Hosagondabala (SC group)	10	2.4 yrs	12,000 ($267)	2,530 ($56)	6,600 ($147)	Household expenses, agriculture, health and travel	60%, flexible repayment
2. Durgadevi SHG Mudhaballi (SC group)	12	3.8 yrs	14,819 ($329)	1,790 ($40)	10,070 $224)	Household expenses, health and travel	24% flexible repayment
3. Kasturibai SHG Bahadurbandi (mixed SC and BC)	13	3.8 yrs	16,960 ($377)	5,589 ($124)	29,435 ($654)	Household expenses, agriculture, health	36%, flexible repayment
4. Hemareddy Mallamma SHG, Chukkankal (General castes)	11	3.7 yrs	24,140 ($536)	12,396 ($275)	30,800 ($684)	Household expenses, health and travel	24%, flexible repayment
5. Gonibashveswara, Bikanhalli (SC group)	11	2 yrs	11,710 ($260)	4,630 ($103)	16,000 ($356)	Household expenses, health, festival	60%, flexible instalment
6. Basveshwara, Mudhaballi (Mixed group)	11	2 yrs	9,800 ($218)	2,000 ($44)	3,767 ($84)	Household expenses, health	60%, flexible instalment
7. Baramalingeshwara, Bikanhalli (mixed group)	16	2.4 yrs	24,650 ($548)	17,308 ($385)	34,100 ($758)	Household expenses, agriculture, health	60% initially, later 48%, flexible repayment
2003: Total (Rs.) Total ($) 7 SHGs	84		114,097 ($2,536)	46,243 ($1,028)	130,772 ($ 2,906)		
Nov. 2005: Total (Rs.) Total ($)7 SHGs			1,38,790 ($3,084)		3,98,890 ($8,864)		
Mar. 2006: Total (Rs.) Total ($), 150 SHGs	2287 members		24,00,693 ($53,349)	6,02,426 ($13,387)	54,17,574 ($120,390)		

The seven groups studied had given loans amounting to Rs. 130,772 ($2,906) and earned a total interest of Rs. 46,243 ($1,028), thereby augmenting their capital by 35%, having rotated it as loans 1.14 times over two to three years. A later update of these figures, as of August 2005, showed that the savings had increased to Rs. 1,38,790 ($3,084) and the cumulative loans had increased to Rs. 3,98,890 ($8,864), a rotation of savings as loans 2.8 times. By March 2005, Sampark had 150 groups, with

2,287 women members, a total savings accumulation of Rs. 24,00,693 ($53,349), and the total interest earned was Rs. 6,02,426 ($13,387) where total loans given out from own savings were Rs. 54,17,574 ($1,20,390). This shows the collective accumulation of financial capital among the women over the six-year period when Sampark organised these groups. The financial capital created was impressive, despite low savings due to droughts and irregular earnings, and several groups had divided the savings and earnings during these years, and the SHGs also reduced the interest rate charged to individual members. Five groups charged interest rates ranging from 3 to 5% per month; only two charged 2% per month. In the early years of formation of groups, women tended to peg the interest rate at 5 to 10% per month, the rate at which money was available in the local market. Over time, they realised that high rates prevented them from using credit, and hence reduced these to 2% per month. Some groups retained 5% per month to insure against defaults and to build up their own capital. The loans were typically small, used for household, medical, travel, agriculture, and festival expenses. In most cases, members regularly repaid only the interest, whereas the principal was repaid either when the loanees had money or when other members needed to take loans.

The cost of loans became prohibitive for many members of the SHGs, leading to practices of loaning to non-members, with the objective of earning high interest. Some found that loans extended to non-members were not returned. Yet, most groups, especially those constituted of poor women, tried this alternative and lost money before they could be convinced against it. These are illustrated in a later section. Other factors leading to loans to non-members were the perceived needs of those who could not save in SHGs, and maintenance of social relationships.

6.2.2 Loans to Members

When loans were from group savings, women usually preferred 'balloon' repayments, where part of the principal or interest was paid regularly, but the full repayment was linked to the inflow expected from the project, once in three to six months, depending on its timing. For instance, they repaid agricultural loans at the time of harvest and sale of crops. In case of delays in repayment of interest or principal, groups did not levy a penal interest charge. By contrast, loans taken from NGO/MFIs had to be repaid in equal instalments, either weekly or monthly, and penal interest was levied from members in case of delay, and they were classified as 'defaulters' when in fact they only perceived their act as 'delay' and not as 'default'. In most groups, even if records were incomplete, women knew and kept track of the principal and interest amounts payable by themselves and others. These processes and dynamics are now illustrated with reference to individual group's own 'stories' of their experiences.

Gallidurgamma SHG in Hosagondabala had members belonging to the Madar (SC) community (Parvatamma, Yellamma and Shivavva were members of this group). Formed on April 2000, it had sixteen women from the SC community, all engaged primarily in agricultural labour. Though the government had provided two acres of land to each woman as part of the devadasi rehabilitation scheme, these lands were flooded with dam water for six to eight months a year, and the women cultivated pulses and ground nuts in the remaining months. All group members were illiterate, and none could write accounts. For the first half-year, the group depended on Sampark staff even to attend and conduct meetings, and only one-third of the members attended when the staff were absent. During the following year, Sampark staff visited only once a month and the field officer claimed: "*The members did not understand the objectives of a group, and did not follow rules and regulations. Instead, each one tried to explain her own difficulties and problems.*" Later, they found a 13 year old boy studying in Class-6 who helped them conduct meetings regularly and wrote their books.

In April 2002, their savings and loan transactions were as follows:

Table 6-2: Savings and Loan Transaction of Gallidurgamma SHG

Sl. No	Name	Savings	Loan details				Outstanding	
			No. of loan	Total Loan Rs. ($)	Repaid amount Rs. ($)	Interest paid Rs. ($)	Principal Rs. ($)	Interest Rs. ($)
1	Parvatamma *	880 ($20)	3	1,050 ($23)	150 ($3.33)	605 ($13)	900 ($20)	195 ($4.33)
2	Shivavva*	830 ($18)	1	300 ($6.66)	-	330 ($7.33)	300 ($6.66)	330 ($7.33)
3	Hanumavva	790 ($18)	1	600 ($13)	450 ($10)	400 ($8.88)	150 ($3.33)	42 ($0.93)
4	Mallavva	830 ($18)	2	300 ($6.66)	300 ($6.66)	87 ($1.93)	-	-
5	Yellamma*	890 ($20)	4	500 ($11)	400 ($8.88)	70 ($1.55)	100 ($2.22)	-
6	Lakshmavva	670 ($15)	3	400 ($8.88)	100 ($2.22)	125 ($2.77)	300 ($6.66)	190 ($4.22)
7	Huligevva	630 ($14)	1	200 ($4.44)	200 ($4.44)	165 ($3.66)	-	-
8	Siddamma	860 ($20)	1	300 ($6.66)	-	-	300 ($6.66)	270 ($6)
9	Lakshumavva	800 ($18)	1	200 ($4.44)	50 ($1.11)	85 ($1.88)	150 ($3.33)	37.5 ($8.33)
10	Durgamma	730 ($16)	4	700 ($16)	700 ($16)		-	-
	Total	7,930 ($176)	21	4,550 ($101)	2,650 ($59)	1,867 ($41)	2,200 ($49)	734.5 ($16)

* Research participants

Yellamma was the group leader. The group had given loans both to group members and non-members that had not been repaid for over a year. The group expected Sampark staff to recall these loans, who complained: "*The group members do not insist on loan repayments, they expected Sampark staff to handle this issue. Even when we facilitate discussions to make a system for loan repayments, they start talking about their difficulties and protect each other. When we are absent from meetings, they do not even discuss loan repayments, they just collect the savings, disburse loans and go home. They are afraid to ask for repayments because each of them has loans to repay. They are also scared of breaking their relationships. They have given loans to non-members and none is willing to collect this money. In fact, to reduce their risks, they have now decided not to give any further loans, and have been saving in the bank. They now have Rs. 7,000 ($156) in the bank.*"

The women felt that, as all had taken loans, no one person had any moral right to ask another to repay, saying: "*Many of us have unpaid loans, so how can we ask another to repay.*"

The group had disbursed loans as per the needs of women, without fixing any specific repayment schedules. After April 2002, the group stopped giving loans, and asked members to pool money for a full division of cash, and by October 2002, they had collected all the dues and shared the entire money. The group reconvened the very next week, with three members dropping out and five new ones joining. Parvathamma dropped out as she could not save regularly. She had Rs. 250 ($5.55) less than other members as savings, and could not repay loans taken. The group did not change its two leaders through the three years. Initially, one member, Chanamma, kept the actual cash herself, and her husband compiled the group accounts. He then took Rs. 500 ($11) without informing the members. The members quarrelled among each other but could not find an alternative accounts writer or cash-keeper, and thus asked Sampark staff to intervene. Then, Chanamma, who had a savings of Rs. 500 ($11) in the group adjusted the savings against the cash taken by her husband, repaid another loan, and

Noorijan was the leader of a women's SHG in Bahadurbandi, largely comprising of women to whom she claimed to give beedi-rolling jobs. When they started saving in the group, women were excited to see their collective savings grow, and were able to take small loans from it. As savings grew, Noorijan took a loan of Rs. 3,000 ($66.66) and another woman, Paramma, also a large landholder, borrowed Rs 2,000 ($44.44). Noorijan did not repay the money on time to enable other group members to take loans. She also appointed her husband as the accounts writer, and gave him a salary of Rs 300 ($6.66) per month from the group funds, while her family also appropriated whatever interest the group earned from their loans. The group members thus found that their savings were locked up in a loan with Noorijan; if they continued to save, they gave her control but if they stopped saving, they would still lose their existing saving. This continued for three years, with Noorijan and Paramma appropriating the savings and interest, and also Rs. 10,000 ($222) that the group took as loan from the bank. After disputes, and several interventions by Sampark staff, the two leaders returned the women's savings, but by then women had lost Rs. 9,000 ($200) interest. They accepted this because they could not make her pay, and also because her husband was known to say 'mantras' (charms) that women feared, so they did not seek to recover the interest from her. The Sampark manager said that we discussed the case many times with other groups in the village, too, but no one was interested in getting things corrected in this group".

withdrew her membership. Five other members also left the group. Two had taken loans they found difficult to repay, so they adjusted these against their savings, paid up the balance, and found *"release from such issues."* Three others claimed they could not save Rs. 10 ($0.22) per week on a regular basis, and withdrew their savings and left. Next, another leader, Shivavva, became keeper of the group's money. She had also taken a loan of Rs. 1,050 ($23) and did not repay it for eighteen months. Once when she had Rs. 700 ($16) in hand, she gave Rs. 500 ($11) to her son, and did not inform others for the next three meetings, as they did not check the accounts. The cash shortage was discovered only when the Sampark field officer checked the cash balance. The group members did not blame Shivavva, but the Sampark worker insisted that another person keep the cash, and that the said person bring the money to the group every week to demonstrate the accounts to all members present.

Sampark staff provided training on group management, after which the groups began to conduct regular group meetings and formulated clear working rules. Their savings were also more regular, often because they managed their finances better, and also because those who could not save regularly had already dropped out. The remaining ten members continued to pool savings and take small loans for emergency needs. In the first two years of opening the bank account, members had visited the bank only four times, to deposit, but not withdraw, their money. Then, with additional bank deposits, they hoped to collect enough (including expected loan repayments) to buy goats and sheep.

The Gonibasaveshawara SHG, Bikanhalli, (Nagavva and Sangavva's group), set up in July 2000 with 15 SC members, had similar experiences with leadership and loan repayments. Initially, Sangavva, one of two group leaders, extended a loan to a non-member, but other members disputed this and made Majavva, another member, responsible for cash. She too used the common fund without consulting the group, leading to another dispute. The initial experience of lending to non-members was negative, so it stopped such lending and rotated savings regularly as loans among members, keeping very little money at hand and none deposited in the bank for a long period. Members paid interest regularly, but only paid the principal when they got large inflows of cash from sale of agricultural products, or other assets like goats. If they needed to borrow, those with borrowings repaid the principal amount over three weeks to enable further loans.

The savings amounted to Rs. 12,750 ($283) by December 2001, when earnings made through intra-group loans were Rs. 7,500 ($167). When women did not repay regularly, the group decided to dissolve and distributed all savings and earnings, each getting Rs. 850 ($19) of their savings and Rs. 500 ($11) as interest. To some this was a significant earning; they bought jewellery (earrings and nose rings), three bought sheep and others invested in agriculture. When the group dissolved, some dropped out, but others were inducted. Sangavva took a loan from the group and did not repay, she either missed group meetings or picked up disputes when she did, but when certain members supported her, the group split into two. The group did not stabilise in the second round, and had to be reorganised again when Sangavva had five old and 10 new members from the SC community joining her, and another leader, Manjula, formed a group with 10 old members. When the groups split, each member received a Rs. 900 ($20) share of savings. The third time, Sangavvva's group had 15 members, and a savings of Rs. 160 ($3.55) each in November 2003, but then held regular meetings and formulated new rules. This showed how the groups shifted and changed over time as they adapted to different conditions.

The Kasturibai SHG, Rangamma's group, was established in June 1999, with 20 members, none of whom were SCs. The group, which usually met at the house of Neelamma, also included her daughter-in-law Savithramma, who was its President. Neelamma who also controlled the savings, took most of the loan herself, did not maintain accounts, and appropriated any interest earned. She claimed religious leadership as she wore a '*thali*' (pendant) given by the local priest (as explained earlier in Chapter 4) and therefore declared that the members did not have the authority to demand a written account of the group's finances, but had to accept her word for it. Members questioned this, went to Savithramma's home and asked her to control finances as she was 'educated'. Savithramma came to Bahadurbandi, talked to the members, and at this time, 12 members formed a group with her, the remaining staying with Neelamma. One more woman joined after six months, and paid up the additional savings to be at par with the group. Another member joined a year later, saved Rs. 20 ($0.44) per week, and contributed additional cash whenever she had some 'in hand', until her savings were equal with that of the others'. By 2001, each woman had Rs.1,158 ($26), of which Rs. 1,060 ($24) was savings and Rs. 198 ($4.40) loan interest. Once the groups were split, their worth improved. Ten women took loans from group savings, at 3% per month, with regular repayments in December 2001, the loans taken by members from savings were as follows:

Table 6-3: Loans from Own Savings: Kasturibai SHG

Savings and Loan Details: Kasturibai SHG								
Sl. No	Name	Savings	Loans (No.)	Loan (Rs.)	Repaid	Interest	Loan	No of rep.
1	Thejaswini	730 ($16)	-	-	-	-	-	-
2	Nethravathi	730 ($16)	-	-	-	-	-	-
3	Savithravva	730 ($16)	2	1,400 ($45)	1,000 ($22)	60 ($1.33)	400 ($8.88)	2
4	Jannathbi	740 ($16)	1	1,000 ($22)	1,000 ($22)	180 ($4.00)	-	1
5	Husenbi	710 ($16)	1	300 ($6.66)	-	81 ($1.80)	300 ($6.66)	-
6	Huligemma	740 ($16)	1	500 ($11)	-	133 ($2.95)	500 ($11)	-
7	Saroja	720 ($16)	1	4,000 ($89)	200 ($4.44)	351 ($7.8)	3,800 ($84)	2
8	Rangamma*	740 ($16)	1	2,000 ($44)	2,000 ($44)	60 ($1.33)	-	1
9	Shakunthala	720 ($16)	2	1,700 ($38)	1,000 ($22)	115 ($2.55)	700 ($16)	5
10	Mabubbi	740 ($16)	2	1,100 ($24)	100 ($2.22)	288 ($6.40)	1000 ($22)	1
11	Moulanbi	720 ($16)	1	300 ($6.66)	250 ($5.55)	60 ($1.33)	50 ($1.11)	4
12	Basamma	740 ($16)	-	-	-	-	-	-
13	Sharadamma	740 ($16)	1	1,000 ($22)	-	30 ($0.66)	1,000 ($22)	-
14	Shanthamma	20 ($0.44)	-	-	-	-	-	-
Total, Dec. 2001		9,520 ($212)	13	13,300 ($296)	5,550 ($123)	1,358 ($30)	7,750 ($172)	16
Total, July 2002		16,960 ($377)	13	29,435 ($654)		5,589 ($124)		

Source: Group records in December 2001 *Research participant

By July 2002, savings reached Rs. 16,960 ($377), with cumulative loans of Rs. 29,435 ($655), and interest earned Rs. 5,589 ($124). Accounts were maintained, and no loans were given to non-members. They took repeated loans from TGB and were able to keep up bank repayments. The experiences of Noorijan and Neelamma's groups were the first such cases, and were widely circulated by both women and Sampark staff, and later groups were warned accordingly. These experiences showed how some women used social beliefs about 'mantras' and sanctions, as that given by the '*thali*', to exert religious male authority over group members and misappropriate their savings and profits.

In the Hemareddy Mallamma, group of Chukanakal, primarily constituting of general castes, Kaveri explained that the regularity of repayments of savings had increased once they took bank loans: *"Now we have savings of over Rs. 30,000 (667) in the group, and each member has taken a loan from it at least twice, for household or medical expenses. This loan is returned in instalments, just as bank loans. Earlier, we used to repay over a three to six months period, whenever we had the cash. But now, after taking loans from the bank, we have started the same practice with loans from our savings."*

Baramalingeshwara group in Bikanhalli, with Mariyamma as Secretary, was formed in April 2000 with 16 members, only three of whom were SC/ST. Twelve members owned land ranging between one to six acres, and one owned 14 acres, and most women did coolie work. Over 2 ½ years, the groups saved Rs. 20,790 ($462), extended loans of Rs. 29,500 ($655), earning an interest of Rs. 8,912 ($198), at 4% per month, later reduced to 2%. Of the loans given, Rs. 24,150 ($537) had been repaid. Between members, 65 loans were extended, and 45 repaid. The group had fixed a minimum loan of Rs. 100 ($2.22), and a maximum of Rs. 4,000 ($89) and had an average attendance of 80% for meetings, and all except two members saved regularly. The group did have a bank account in the nearby village of Hiresindhogi, and members said it cost them Rs. 10 ($0.22) for each trip. The group was stable, with only one member leaving since its formation, she had a loan of Rs. 500 ($11), for which interest repayable was Rs. 20 ($0.44); these were deduced from her savings of

Rs. 650 ($14) and the balance then paid to her. The President, Secretary and Bookkeeper of the group were considered open and accountable to the group, and there was no change in its leadership.

Loan repayments from savings were flexible. Members explained: *"We do not have a fixed repayment schedule. We know each other well, and we wait till members repay loans on their own, there is no pressure. Often women pay when they sell their agricultural produce, and if someone has a long-pending loan, then we put pressure on her to repay at harvest time. We do not go to the bank very often, we rotate all our money as loans. Only when we don't have enough money, and a member wants a large amount, we then ask members to repay over the next three to four meetings, and then we collect the amount to meet the larger loan needs."*

One Sampark field worker complained: *"There is no repayment system! Even if I discuss setting up a regular system, they give reasons and justifications for one another and do not make timely repayments. Most of the loan from the group is used to pay for agricultural labour, fertilizers and pesticides."*

Mariyamma claimed: *"When the group was formed, all our husbands used to come and stand and watch the group operations. Now they have confidence in it. People in the village are also happy as the group savings are useful and the relationship with Sampark is good. Sampark has provided training in tailoring, agriculture and many other things for the improvement of women, so that we now know how to count and keep accounts and put our signatures."*

Three members wanted to take a bank loan for sewing machines and other businesses, but the others wished to have an activity which all of them could start, they did not agree to take bank loans.

This reluctance was found in other groups, too: when only one or two of the members sought to take external loans, or where other members were unfamiliar or unsure about projects. Rangamma wanted her group to take a loan for an auto-rickshaw for her son, and Yellamma wanted to start a vegetable business, but their groups could not agree to take external loans for one or two large projects. Thus, extending loans and repayments were flexible, but sometimes there was internal discord, which prevented women were from taking loans for relatively large business ventures.

6.2.3 Loans to Non-members

What the women envisaged as the role of savings differed from what the facilitating agency, the NGO, held to be important. The experiences of two groups here illustrate how loans to non-members were as much to maintain social relationships, which also made recovery difficult, as to fulfil an 'obligation' to 'help' those in need.

Sushila's group formed in 1998, with eight members, all belonging to landless households. The women did not attend the meetings regularly, but sent their family members, with the savings of Rs. 10 ($0.22) per week. The group leader lent this out at 5% per month to non-members. In June 2001, their total savings were Rs. 4,800 ($107) and interest earned was Rs. 1,600 ($36), thus giving each member Rs. 800 ($18) as a lump sum, including savings and interest earned, at the end of the year. Some group members had taken loans and had not repaid, which was adjusted at the time of closing the annual accounts. In June 2002, they accumulated savings of Rs. 4,000 ($89) and the interest earned was Rs. 400 ($8.88). One debtor did not pay the principal, but there was still a profit on their lending operations as they kept the interest rate pegged at 5% per month. Three members dropped out when they started savings for the third time, and six new members joined. As soon as they pooled in Rs. 1,000 ($22) they disbursed Rs. 700 ($16) as a loan to a non-member on the guarantee of a group-member.

By this time, Sampark staff disapproved, and stopped supervising them. The field officer said:

"*Right from the initial stages of formation, this group did not fully understand the concept of a SHG. The members did not meet regularly, though they sent someone to contribute the savings. The group did not appoint a President, but was managed by a Secretary who kept the cash and maintained the accounts. They did not discuss any* *common issues, just did the savings and credit transactions. They sometimes took loans in between the days of the group meetings, and so, many members did not know all the group transactions. They did not open a bank account for nearly three years! Despite our advice, they lend money to non-members and did not even stop after losing money! The group divided and distributed its savings three times in the first three years of its operation. Sushila took loans very often and kept the group's cash, but she never had the time to do the bookkeeping. The members did not attend any of the training organised by Sampark. The accounts of the group were always in a mess. We got fed-up and now I have not gone to their group meetings for three months. The third time they reconstituted in 2005, they asked a young boy to keep their books. Sushila still keeps the cash, but the boy now maintains the accounts, and we have trained him, so the group is now more stable."*

The women, however, felt that they were poor, landless, and could not afford to take loans at 5%, but would continue to earn interest by lending their collective financial capital. Sushila continued to lead the group, and the members believed that they would benefit from it. This group was more interested in profits than in disbursing small loans to group members. Even in 2005, when the group opened a bank account, the members took loans, and if amounts of Rs. 1,000 ($22) to Rs. 2,000 ($44) were left unused, they sought non-members instead, in order not to lose out on potential interest, thus using the group as a surrogate moneylender.

In 2005, the members also took more loans for household consumption, and for creating income-generating assets. Initially five members took loans for sheep. In the next round of loans, another five members bought two to five sheep each. As the women were engaged in coolie labour, they did not have the time to graze these sheep, and one man with five sheep of his own took the responsibility of grazing the whole flock of 30 sheep, at a charge of Rs. 30 ($0.66) each per month. This gave him a reasonable return on his time, and gave the women a chance to own sheep as additional assets which they would not otherwise have had.

The Durgadevi (Lakshmavva's) group in Mudhaballi had also extended loans to non-members, primarily because the leader, Bharmavva, believed that as the group had savings, they were '*duty bound to help those in need*'. She explained: "*I gave loan to a person from the neighbouring village; he wanted to buy an auto-rickshaw. He took six loans of Rs. 4,000 ($89) to 6,000 ($133) from different sources, sold the auto-rickshaw, and did not return the loan to any of his creditors. I went with four members of our group, six times, to get the money back. Once I went and stayed in that village for 21 days to recover the money. Finally, I brought back the Rs. 4,000 ($89) which I had lent him. I had taken Rs. 2,000 ($44) from the group and the same from another person in the village to give him the money. Now the group has kept all the money, saying that they want to recover interest. I want them to return Rs. 2,000 ($44) so that I can pay off the other person. You tell me, is the group right, should they not let me clear off both the loans and forgive the interest, or wait for it?*"

Village men also used their social contacts with the SHG members to take and not repay loans. The sharing of labour to graze sheep, in the former case, is an example of how women used human and financial capital to create assets. The second case illustrates how women tried to balance both social and financial relationships.

6.2.4 Flexibility and Problems with Loan Repayments

The flexibility in repayment that women enjoyed because the loans were from their own savings, had both benefits and risks, which they dealt with in different ways, as we will see now.

Baramalingeshwara, Mariyamma's group started in 1998 and accumulated savings of Rs. 24,650 ($548) until November 2003. Its cumulative loans were Rs 34,100 ($758). Of these, Rs. 15,000 ($333) was outstanding against members, but not regularly repaid. Group members kept these amounts outstanding, and did not pressurise one another for repayment. Their savings fluctuated according to seasonality of earnings, and the group continued to function, knowing that those with outstanding loans also had savings with the group, so that adjustments could be made at any time.

In contrast with the financial perspective outlined above, which used amount and regularity of savings to assess the creditworthiness of women, the livelihoods perspective adopted here revealed that seasonality of savings and irregularity often arose from uneven income flows, and may not be indicative of a 'lack of discipline' per se, but rather of the insecure livelihoods of the members of a microfinance programme. In general, women valued savings and continued to pool group savings in periods of cash availability.

The Durgadevi group, had eighteen SC women as members, mostly devadasis, and took a subsidised bank loan, with which fifteen members bought buffaloes. When they found repayments difficult, there were disputes: one buffalo died, and some were sold as unproductive, but some women then repaid the loans, others did not, using the money for household consumption or other assets. This created internal group tension and resulted in a splitting of group. The Durgadevi group had seven established old members, of whom only five were willing to repay the loan to the bank. They visited the bank several times to request permission to repay the loans individually, and certify that they were not 'defaulters'; as they feared that if they were labelled thus, their children could not draw government benefits. However, the bank officers did not respond to their request. The bankers treated the SHG as one client, and did not have a mechanism to recover loans from individuals who wished to repay to 'clear their names', but clubbed the good repayers and defaulters together, labelling the whole group and making it difficult for the women to reform their groups and regain access to bank credit.

6.3 Multiple Meanings

The practices of groups, as seen above, were different from what NGOs sought and expected. Groups had a different rationale and perspective about microfinance, which led to the different meanings they attached to savings accumulation or distribution, and dissolution and reformation of groups themselves.

6.3.1 Differing Meanings, Applications and Competing Interests

The women assigned different meanings to loans from their own savings, as compared to loans from NGOs and other external sources. This was evident from the way they labelled own savings, applied loans from these, and managed them.

Application of Own Savings

In most parts of Jharkhand, own savings were referred to as '*baksa*' money, or 'box-money.' Women believed this money belonged to them, as against their borrowings from the NGO.

To begin with, it was difficult for them to collect own savings, as the health of poor women and their family members was a potential drain on their income and assets. The absence of assets could lead to real hunger and indebtedness. Parvathamma could bear medical expenses only because her partner supported her. Shivavva took a loan for her husband's illness. These situations made the building-up of capital with women a very long-term process. In this scenario, savings offered a way for small individual resources to be pooled as a collective resource and be converted into capital for women. Thus, once the women learned to save, they developed their own practices to use these savings.

Groups used NGO loans for what the latter considered 'productive' purposes. For instance, 84% of the NGO loans from CARE, Jharkhand, were used by women SHGs in agriculture and small businesses, and 16% were used for education of children, foodgrains and other household expenses, medical expenses, marriages and loan repayments. By contrast, women's own money was more for education, health, and household expenses in lean periods, marriages and repayment of loans taken at higher rates of interest as compared to group loans. The NGO microfinance project required that women invest the loan in a business, which would augment their incomes and improve their livelihoods. If money was used for anything except 'income generating' activities, it was considered 'unproductive investment'. Thus, in view of the NGO, money spent on education, health, and food was 'unproductive', and not eligible for loan purposes. From the 'women's' perspective, however, medical expenses incurred today will enable income from farm labour ahead. A child educated now will enhance his or her livelihoods opportunities some years hence. These were "productive" investments for women. The NGO only saw as "productive" those uses of money that generated cash in a short time cycle, where women could repay the short term loans on the stringent terms established. It did not take the women's own perspective that investment in human health and welfare was 'productive' use. This emphasizes the importance of (administrative) categorization for the everyday management of money in the circumstances.

> ***"My family members and I have acquired the savings habit after I joined the group and learnt to save. I save Rs. 10 per week in the SHG, and my daughter saves the same amount in another SHG under a government programme (Streeshakti). My husband saves Rs. 20 in a PIGMY scheme of a bank every day, and my son saves Rs 20 per week in a recurring deposit at the post office".***
>
> \- Rangamma

Some groups calculated the total earnings from intra-group loans and divided the earnings among group members. This involved a division of both the savings and interest earned, after which the groups started savings again. External views on such practices of SHGs were often different. Sampark initially viewed this practice as detrimental to the interests of the women, as the NGO feared that the group would be evaluated lower in terms of creditworthiness if it were to be assessed by a banker. In contrast to the practice of Sampark, an NGO facilitator of the groups studied in Lohardaga district (Jharkhand) introduced the practice of calculating and distributing dividends from the profits of the group to women members. It recognised that the practice of sharing the earnings demonstrated the financial benefits of savings and credit operations, and helped motivate women to continue these at the local level. In the cases of both Koppal and Lohardaga, the groups were located in a semi-arid or remote region, with few opportunities for investing in income generating activities. Women saved until they collected a reasonably large sum (between Rs. 500 and 1,000, i.e. $11- 22), and then borrowed a similar amount at a time in the year when they could invest it better, either in agriculture or for a child's education. Thus, while the NGO tended to see retention of creditworthiness as important, women did not regard a loan relationship with the bank as either possible or useful in the near future. Thus, women's rationale for savings differed from that of the NGO facilitator.

Repayment of Loans from Savings

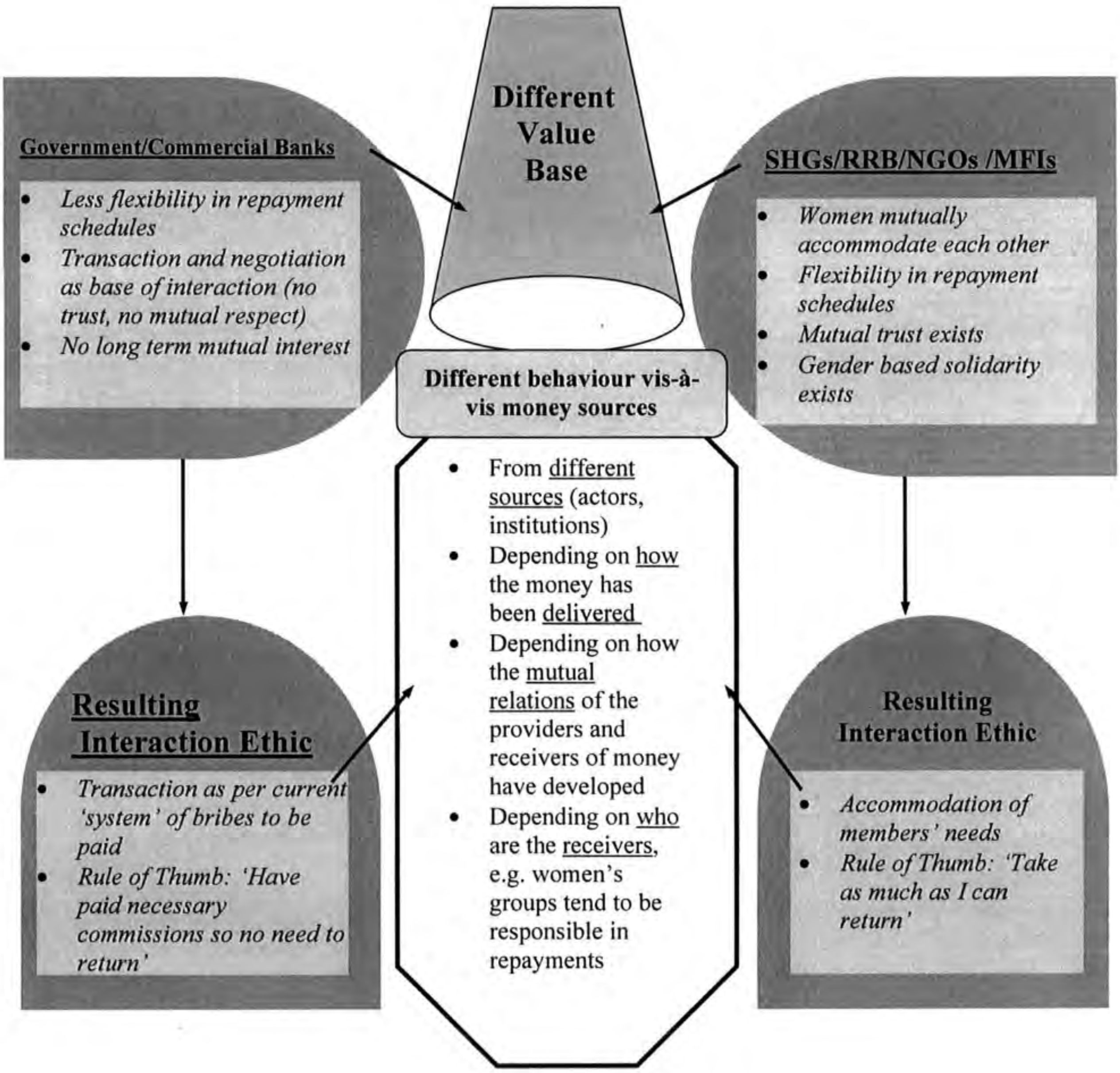
In Jharkhand as well as in Koppal, women had different repayment practices for 'own money' as compared to 'NGO money' or bank loans. The differences were as follows:

Table 6-4: Different Repayment Practices

Practices introduced by NGO/MFIs	Practices followed by groups with loans from own savings
As facilitators, NGOs encouraged opening of bank accounts, as this was a basic criteria on which groups were assessed for loans from banks/external sources NGO-MFIs did not insist on accounts in banks, as they themselves conducted the financial transactions with the groups	Women did not see advantage in opening bank accounts, unless they later planned to take bank loans
Better quality record-keeping	Groups did not maintain suitable records for own funds
Repayment instalments fixed by external agency, usually weekly or monthly, very rarely a balloon payment, as in agricultural credit External agencies usually did not match loan term with expected repayments	Usually balloon repayments Repayment linked to cash inflow cycle of the income generating activity, e.g. agriculture, animal husbandry
Interest payments and principal payments made as per NGO determined schedules	Interest paid regularly or periodically, principal repaid only at end of loan period
Penal interest levied on anything overdue as per rules set for external loans	Usually no penal interest was levied, member gives reason for non-payment or delay
Second loan may not be given until the first is fully repaid	Groups gave second loans from own savings, even if first had not been repaid, where convinced of member's need, or if the member held influence

It was found that repayment performance varied quite significantly depending on whether the loans were taken from own groups, government or banks, or NGO/MFI. Two primary reasons emerged for this: one concerning terms of credit, and the other to the relationships between the different actor groups: women's SHGs, banks, government and NGOs (Figure 6-3).

Figure 6-3: Relationships between Women and Formal Sources of Loans



The actor groups here are placed in two categories, with banks/ government organisations engaged in the delivery of subsidised microfinance as one group, and those who delivered unsubsidised credit (banks, MFIs and SHGs) as another group. The 'rule of thumb' for the former category appeared to be *"Have paid the cost of benefit; no need to repay."* The 'rule of thumb' for loans taken from the NGO/MFIs was *"Take what can be repaid."* Thus, the differences in the value base of the way credit was delivered by these actor groups resulted in a different repayment ethic.

People valued relationships based on which other actors they dealt with, and the nature of the relationship emerging from them. A government-subsidised bank loan was a benefit to be accessed only once, based on their qualifying a poverty criterion, which could itself be purchased. A one time transaction and purchased eligibility could create a weak value base for the partnership between people and external agencies. By contrast, loans from NGOs, MFIs or through regular credit transactions with banks were made on the basis of credit-taking ability, transparent processes, and the promise of long-term relationships. So, while loans under subsidised schemes of the government were not paid, NGO/MFI and regular bank loans were repaid. Further, when the relationships with the banks provided flexibility, groups returned the loan amount, so they could then obtain subsidies. The latter type of relationships involved the value basis, and risk of loss of face if they were, to default, encouraging high repayment performance of loans taken from or through NGO-MFIs. Thus, relationships and values determined the loan repayment behaviour of borrowers.

"When my parents were both there and doing coolie work and my children were small, we did not have any problems in 'running' the family. If at all we fell short of money, we used to take an advance from landlords and clear it within 15 to 20 days. If we take loan from outside, we will have the burden of interest, so we don't take any loan of a higher amount (than Rs. 100 to 200 i.e., $2.22 - 44.44). We have to earn and eat, and we don't have any land; if we take a loan we find it difficult to repay it..... Since we have the group now, we can take and repay the loan to the group. We don't find the need of going to 'outsiders' for loans."

– Nagavva

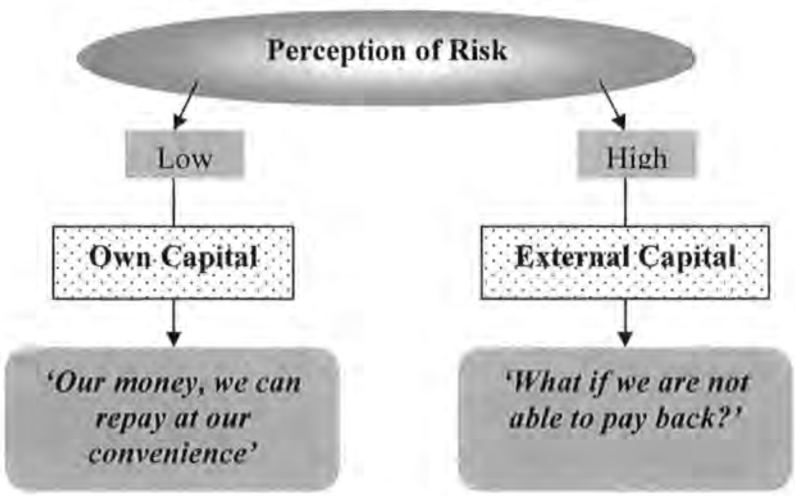
The women in Koppal explained 'own' and 'outside' money thus: *"We have benefited from the group because we can take a loan when we have a difficulty. But if we take loan from others, they ask us to pledge some security and ask us to be like a bonded labour to them, until we repay it. Instead of asking questions, we believe in others; we don't use our brains, so we are still poor from paying loans and high interest. So if we have our own money it is good for us; there is a lot of difference between group loans and outside loans."*

"Outside, they give loans at high interest rates, we have to mortgage our gold, land, house and other documents for the sake of the loan and also, we and our children have to be bonded labourers for them. We have to pay the principal amount all at once. That is not the loan for poor people like us, so we find the group loan beneficial. There is no use taking a loan from outside. But the group loan is given for medicines, household expenses, seeds (agriculture) or any other purpose, like functions at home. Our lives have improved after taking loans from the group."
- Yellamma

The groups typically depended on collective memory, rather than written records. The level of trust was high; there was confidence that members would repay. It was difficult to obtain record keeping registers and learn how to maintain them, or get this done by local literate men, girls or boys. However, lack of records did not mean that groups did not 'know' their transactions, which most could recall in detail. While no external person had any visible monitoring system in place, women often knew which individual member was expected to pay how much that week, because there was such demand for credit that the next person was already waiting in line. Where such demand for credit did not exist, loan monitoring tended to be weaker, and, monitoring systems were also weaker in established groups and with accumulated savings. These women saw little urgency about repayments and allowed individuals to resume these when they could easily do so.

The perception of risk was also socially determined, and differed according to whose money it was. Money taken from friends, relatives and neighbours was seen as a reciprocal facility, safe and flexible, and was often taken in amounts that women were most capable of returning, according to their respective income levels. Some poor women were able to take relatively large loans due to flexibility in repayment terms. Loans from landlords and moneylenders were seen as exploitative, or on terms that they would take only when forced to do so by their livelihoods needs, wherein these denote not only economic needs but also social expenditure that women considered obligatory or unavoidable. By contrast; they felt safe and less 'exposed' managing their own money, and enough in control to determine the affordable terms. Trust between members assured them about loans taken from their own money. Thus, women's SHGs emerged as a 'closed' and 'safe' place to take loans from. As the women themselves set the rules, they accommodated one another when needed. The rules were flexible and the members were accountable to one another, but not to any external agency. Their individual savings in the common fund of the SHGs provided them with a certain leeway in that they could set these off against loans taken from the group, thereby reducing the risk of 'non-payment' (Figure 6-4).

Figure 6-4: Perception of Risk



When external loans were offered on terms not preferable to women, they opted not to take it. Thus, the loan amount, its use, and repayment depended upon whom the loan was taken from, the relationship that existed with the person or organisation, the familiarity with the loan methodology and the risks associated with the investment.

6.3.2 Importance of Social Relationships in the Management of Money

In many of Sampark's groups in Koppal, women divided the full amount of savings as well as earnings, creating a zero cash-balance in the group, and enabling it to start again. In many cases, groups dissolved and were later reformed.

> ***"When some members repay regularly and others do not, we fight because only the money of those who repay gets rotated, the others block money. If we fight more, members threaten to sell the buffalo and repay, but we also do not want members to do that. We have no doubt; we have the confidence that everyone will repay.***
>
> ***Sometimes the women are struggling, but they will also repay. Two buffaloes of Lakshmavva died, so she is facing a difficult situation, but she will also repay."***
>
> - Nagavva

In some cases, women members had taken small loans which they did not repay. When many group members had outstanding loans and repayments were not being made, other members could not subsequently take loans. Where the loan was given to a non-member and not returned on time, money was limited to a few people. Therefore, new loans became limited to the new savings being gathered. In order to solve this impasse, members announced that the group would be dissolved so that the money could be divided. All members brought in money within three months and once the division was made, and the balance put at zero, they started pooling the money again. Often, such a group restarted the very next week. Groups' own development posed further issues, but by pooling capital, groups could dissolve without undue financial losses for individual women. Sometimes, one group reformulated into two separate groups, or with one or few members dropping out, and the rest simply continuing their transactions. As common group transactions were related to money, the simplest way in which to disengage the group was also through money. Practices such as dividing the capital and dissolving the group, at least temporarily, were ways in which women resolved social and leadership conflicts.

The experiences of these groups highlight the importance of social relationships in the management of money. When women owed the group money, others did hesitate to call for discipline, fearing the likely resentment of the debtor. If the NGO staff insisted on loans being returned, the members however did not then see this as a disruption of social relationships, as the NGO was perceived as an external agent, and expected to enforce financial discipline. But the groups hesitated to enforce such discipline internally. In some cases, groups changed their leaders and continued to save, as in the case of Mariyamma's group. In case the groups were not able to change leaders, they sought to limit damage and future risk by dissolving the group, and changing financial practices as well as leaders when they reformed the groups. This dissolution and reformation of groups were important social learning processes from a group dynamics perspective.

> ***"When a banker comes to assess the group, and their savings are low and depleted, he will rate them low, and use it as a reason to sanction subsidised loan to another group. Sampark groups will get a bad reputation.***
>
> ***They do not listen to me, and they do not maintain discipline, but they ask for subsidised loans. It is very difficult to manage these groups and satisfy their expectations."***
>
> \- Sampark field staff
>
> ***"It is our money and we accumulated it up to Rs. 1,000 each so we can take it as a lumpsum. We need it now so we have to divide it. We have now learnt to save, and will pool it to the same amount again."***
>
> \- A group member

While external agencies take only a financial perspective, they give little credence to women's own ingenuity in solving leadership and financial management problems. The facilitating NGO started with the mind-set that dividing up savings and bringing it to zero was unwise, as it depleted whatever capital women had created thus far. However, women believed they now had a system by which to recreate that capital, and the confidence to do it; therefore they did not see any risk in dividing up the entire capital of a group. What was more important to women was that they had acquired new skills in the management of savings and credit, and learnt a new methodology for creating financial capital. What others may see as capital erosion could thus be interpreted as (social) capital creation, and a step towards empowerment. Women particularly valued the social capital they had created, e.g. the affinity within the group, the system of savings, and the skill in management of savings and credit. The differing perspectives about money management and group dynamics are explained thus:

Table 6-5: Different Rationales for Money Management

Divergence	External Agents' Perspective	Women's Perspective
Lending to non-members	Risky, as they are not bound by group norms and discipline	Not risky, as they are known to group members Profitable, especially when group members are unable to absorb credit
Pooling loans and savings and dividing the capital	Depletion of financial capital	Sharing of benefits Reduced risk of defaults and loss of capital of each member
Dissolution and reformation of groups	Evidence of lack of group cohesion and stability	Solution to exploitative or ineffective leadership Resolution of conflicts among members Way to resolve old problems and start afresh
Flexible repayments of loans	'Lack of financial discipline' Collusion among group members to delay repayments	Own money less answerable to external agency Allowing more members to repay at their convenience Continued circulation of money until others need it
Opening of bank accounts	Evidence of knowledge and good discipline in microfinance Preparation of future loan from bank	No cash to deposit in the bank if all savings circulate as loans Loss of a day's wages, and transport costs, involved in going to the bank No need if there is little expectation or possibility of loan
Joint liability for repayment of group loans	All group members can agree to take loans for enterprises of one or two members Group members must pay for the defaulting members	Over-exposure to projects of one or two women can be risky for other members All members are equally poor and those who repay must not be penalised for those who do not

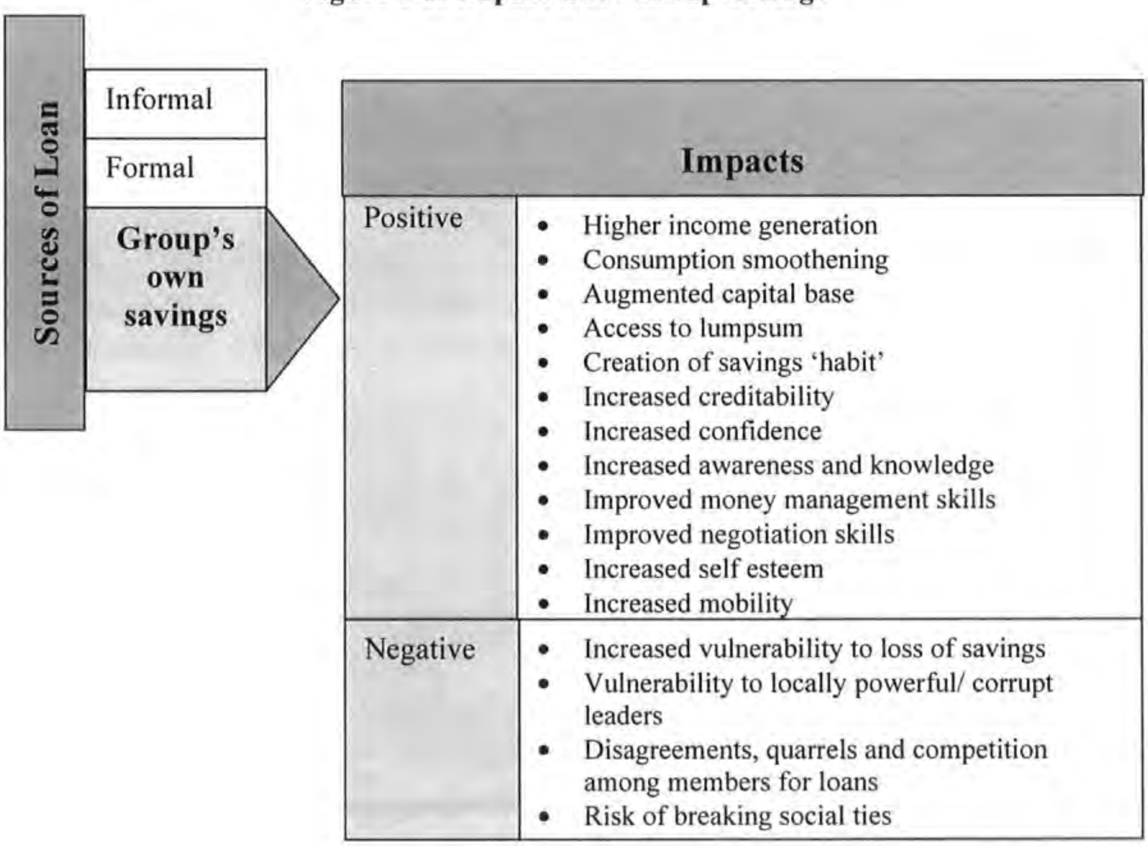
This analysis brings out the relevance of group dynamics and use of money. Women gained access to a new source of money – their own small savings – through groups.

However, SHGs were not a traditional indigenous forum, but a new one introduced by development projects. The internal management processes of these groups are indicative of the way in which the forum has become socially embedded. Thus, quality of leadership, socio-cultural factors, transparency and accountability systems, and trust emerged as elements that determined group dynamics and are indicative of the impact of microfinance.

6.3.3 Impact of Savings

The impacts arising from group loans are different from those arising from other informal and formal loans, and are depicted in Figure 6-5. The use of money by SHGs needs to be linked to the sources of money to which they have access, namely their own savings and external funds (from banks or NGO/MFIs).

Figure 6-5: Impact from Group Savings



These have very different implications, as they have different economic and social impacts, both of a positive and negative nature. Given that the impact of loans from formal sources was described before, this section will highlight the impacts arising from the use and management of their own savings.

> ***"Saving is very important to me. 'Hani hani koodidare halla, thene thene koodidare rashi' (small drops of water make a mighty ocean) so small savings is of great use. I have benefited a lot after joining the group."***
>
> – Yellamma

Women acknowledged that savings were the most important impact-generating feature of their participation in SHGs. They stated categorically that the greatest impact had been created by the 'savings habit'. It had enabled women to put money aside for their emergency needs, making them less vulnerable and more confident about facing crises. Lakshmavva from Durgadevi group said:

"Earlier we used to depend only on coolie work for our earnings. If there was no coolie work, we did not have any earnings, and used to starve on those days. After the formation of the group we got a loan and we bought one buffalo each. Now, one family member looks after the buffalo and others go for coolie work. The money earned by selling milk is an additional income of our families. Before the formation of groups we used to take loans from the Shavkar (landlord), who charges high interest and also asks to keep our children for labour in their house to compensate the loan. Now we borrow money from groups with less interest, which helps us to repay loan quickly."

The positive impact of savings was felt not only by the research participants, but also by other members of all the seven groups in Koppal. At the NGO level, the Sampark manager explained:

"For all the SHGs taken together, savings increase by about Rs. 40,000 ($889) to Rs. 45,000 ($1,000) per month. Women use group loans for health, house repair, marriages, travel and agriculture. They use external loans for buffalos, sheep and

goats, and investment in agriculture, which includes digging borewells, obtaining pumpsets, electricity connection, and purchasing fertilizers and pesticides. They also use external loans for starting petty shops and businesses."

In the first phase of the research, several groups reported the practice of saving over and above the level mandated by the NGO, and these savings were used at the women's own discretion (Acharya and Premchander, 1999; Sampark, 2000). When women took loans from their own savings and the group retained the interest, it helped to augment group capital. Savings of women's groups represented their equity capital, and was therefore important for their empowerment, as well as an important indicator of the financial strength of a micro-finance project itself. The benefits and risks inherent in groups managing their own money are depicted in Figure 6-6.

Figure 6-6: Access and Control over Savings

Benefits	Risks
• Access to 'own' funds for loans • Free to decide - Purposes of loan - Repayment schedules - Interest rates • Can lend to non-members • Can retain emergency cash • Can manage seasonal demand • Capitalisation at group level • A share in the interest earnings of the group	• Risk of delay/ default by members/ leaders • Risk of delay/ default by non-members • Risk of members not repaying properly • Risk of social disputes

They had more freedom to decide the purpose of loan, interest rates, and repayment schedules. They could maintain cash balances, as per their estimation of emergency needs, or seasonality of the demand for loan from members. They could loan to non-members of groups and earn interest at 3-5% per month. However, such savings management by groups also carried risks. If non-members did not repay, there were disputes among group members. Such loans created a risk of loss of the principal, even though it also had the potential to earn more interest, and therefore increase their meagre capital. When women distributed the savings among themselves as loans, at a reasonable interest rate of less than 2% per month, they were able to use it for smoothening fluctuating household consumption. When the interest rate was high, it deterred poor women from taking loans. However, often groups provided the flexibility to repay when women found it more convenient to do so. This led to 'sub-optimal' credit flows from the 'financial' viewpoint, but as it was their own money, and women viewed this as a valid action. Groups were a new forum, externally initiated, and introduced new activities which were hitherto unfamiliar to these women. It was a trial and error process by which certain women learned, and took decisions that the facilitating NGO would not support, such as lending money to non-members and not making repayments on a regular basis.

Women lost money if there was inequitable distribution of loans among them, if those who had borrowed did not repay, and if they had lent the money to non-members who had defaulted. Women's SHGs handled the collective money of poor women, and just as this created an opportunity to earn money, it also created vulnerability. This new forum of groups exposed women to new methodologies of handling money, a task for which they did not have the adequate capacity. This finding raises the question of whether it is ethical to introduce a new methodology that creates new vulnerabilities, without at the same time creating the capacity or potential to cope with the endemic risks accompanying it. In the case of Sampark, the NGO monitored the groups and repeatedly warned them of the problems of lending money to non-members, and also monitored when their repayments became irregular. However, as the organisation was a 'facilitator' rather than 'provider' of microfinance services, it had only an advisory role, and women sometimes chose not to follow their advice, but preferred to prioritise and learn from their own experience.

In a case studied in Ranchi, Jharkhand, the 'provider' NGO did not monitor the groups' management of their own savings, choosing only to monitor the credit it had given. In many cases, there was evidence that the group repaid loans, where rates on loans extended from women's own savings were low. The NGO was asked by the donor agency to become financially sustainable in its own lending operations, and the funding agency had invested in capacity building of the NGO to do so. Yet, neither the NGO nor the funding agency had invested in the capacity building of groups to manage their own savings (Sampark, 2000). Similarly the capacity to manage women's own savings was not created by many 'provider' microfinance organisations in Orissa. Instead, the MFIs collected women's savings as security, and also as additional capital for loans. This exposed SHGs to the risk of not being able to deal with local emergencies. Alternatively, the external agency concentrated on the provision and management of any credit they delivered, leaving women vulnerable to aspects of local leadership and social dynamics that again carried the risk of women losing their small savings (Sampark, 2003). The evidence indicated that though 'facilitator' NGOs try to build local capacities of groups to manage money, they do not have the *locus standi* to enforce discipline that would safeguard women's savings. Therefore, the safety of women's savings in SHGs continue to be vulnerable to deviant group management and processes. 'Provider' NGOs, on the other hand, have more interest in their own financial sustainability, and tend to focus on aspects of the efficiency of their own operations rather than building groups' capacities for money management.

6.3.4 Competing Interests

The different meanings of money were evident in the understanding of the cash kept by women in the 'baksa' (box). Women's SHGs retained cash in the group, or in the 'box'. The NGO in Jharkhand considered this to be 'idle cash', believing that this money could be easily utilised as a loan thereby yielding more return. If money was kept 'in the box', the NGO saw it as a lack of demand for loans. The NGO believed it had the ability to transfer money from 'net savers' to 'net investors' in much the same way as banks, and sought to transfer such 'idle' funds to groups seeking loans. Channelling the money in this way was judged as efficient use of funds. Women kept this money for emergency needs, including medical treatment of malaria, snakebites, accident victims, and so on. They saw seasonal fluctuations in the 'box cash' as normal, expecting to build it up slowly, so that when the agricultural season began, all women could take loans. If the amount was too small to meet all business needs, they build up the amount to be able to meet large needs by rotation. Sometimes, there was cash left in the box because it was difficult to deposit and withdraw from distant bank branches. Women consequently did not perceive 'box money' as 'idle' but an important 'back-up' and a 'buffer' when they needed it. Thus, fund retention at the group level enabled women to exercise more choices than would be allowed if it were collected together and used by the NGO/MFI.

Four NGOs visited in the first phase of research, in Jharkhand, Orissa, Uttar Pradesh and Tamil Nadu, were known to be under pressure to become sustainable microfinance organisations. This called for more loans to SHGs, and increased access to the savings of SHGs wherever possible. In Jharkhand, once the groups were up to two to three years old, their savings were substantial, and the women had gained confidence for larger investments in businesses or other income-generating activities. So they used their own savings more and reduced their NGO loans. This created a problem for an NGO then poised for 'transformation', and its head exclaimed: "*If women continue to take more and more loans from their own savings rather than from the NGO, we will have to keep on making new groups and derive all our income from small loans to new groups: a perpetual cycle in which we can never break even. We can become financially sustainable only if we mop up all the savings of the women's groups and rotate them through the organisation.*"

Another rationale extended by an NGO/MFI in Orissa was that, as women were illiterate, they did not understand complicated financial matters, and could not benefit from the scale, systems and leveraging of funds. It was, therefore better 'for them' to put their money in the hands of 'professionals', namely NGO/MFIs, and derive the benefits through 'access to much larger loans.' As an NGO manager in Kalahandi district of Orissa put it: "*Women are illiterate, they do not understand use of finances, we must make all the decisions for them.*" While some NGO heads and staff thus rationalised the move towards transforming themselves into MFIs, others faced internal tensions. A field officer explained: "*We used to sit with women and talk about their issues. After the micro-credit project started, it is only –'Give money, take money; Give loan, take loan'. The only work we do now is related to loans and money. There are no other conversations anymore.*"

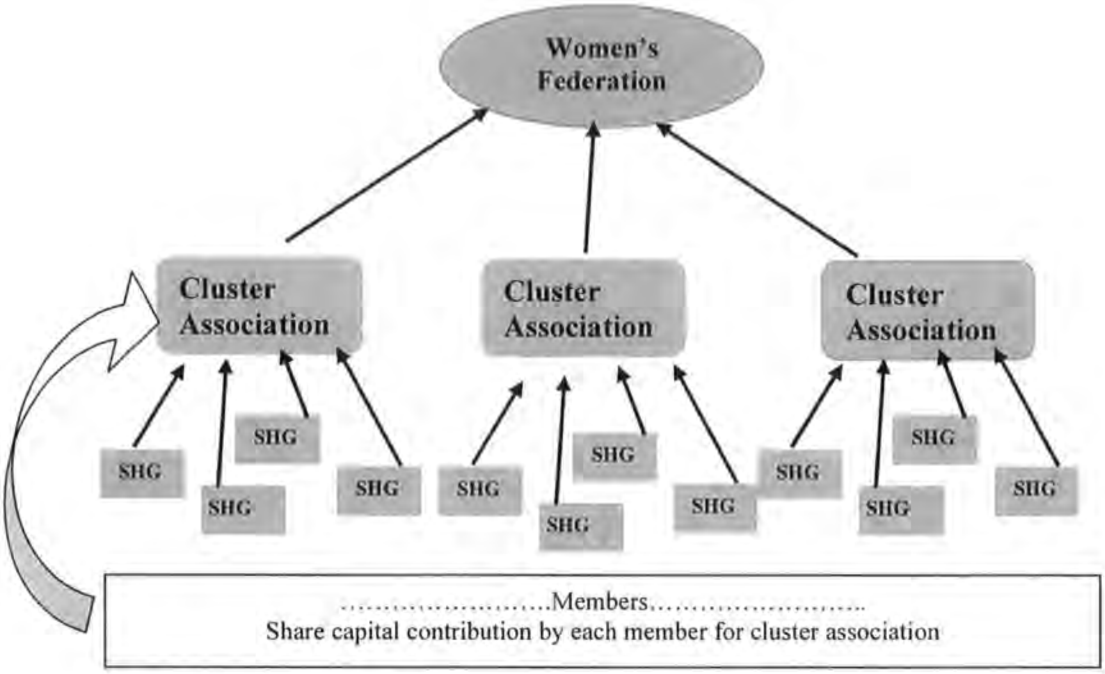
The founder of an NGO in Uttar Pradesh that was planning transformation into an MFI, referred to another aspect of the tension that arose between the NGO and women's organisations. "*We used to teach women to use their savings. We created federations that learnt to do so. Now we will collect all these savings to create a larger and profitable organisation for ourselves. How will we explain this to the federation members?*" Another woman founder of an NGO engaged in microfinance in Tamil Nadu echoed this when she said: "*We created clusters and federations of women; we taught them to retain a larger part of the profit at the local level. We encouraged them to question the NGO's use of money. Now we want to take away more of their savings, and appropriate a greater part of the interest earnings- and become financially sustainable ourselves! They will question us about these changes; about the costs. How do you think I can explain this to women in our clusters and federations? They will feel let down. Do the funding agencies not see this, do they not realise they are pushing us in the wrong direction, undoing all we have done in the past in terms of building strong women's clusters and federations?*"

These statements highlight the competition between MFIs and women-owned organisations to control the flow and profits from money management, and provide support for women's classification of money as 'own' and 'external'.

6.3.5 Reconciling Women's Perspectives and NGO decisions

The slow development of groups with a 'good discipline', the lack of control over money that women faced due to their illiteracy and social interactions, the frequent division of group savings, and the relatively low demand for external loans across Sampark groups together forced some to rethink microfinance methodologies in Koppal. When the NGO started, the initial plan was to form three levels of financial organisations: SHGs, clusters of six to ten groups each, based on geographical proximity, and a federation of all the clusters at the district level, as depicted thus:

Figure 6-7: Structure of Women's Organisations



However, soon groups faced leadership problems, and had not established standard loan, interest and repayment practices. It was reckoned that creating collaborative organisations at a larger level, when even the basic units were not yet stabilised in terms of accountability and financial transactions, was premature. They therefore stopped forming a third layer, the taluk level federation, and instead concentrated on strengthening the groups in 2002-03, and moving on to train the groups to form clusters in 2003-04. By 2004, 10 clusters had been formed, comprising 200 to 300 women each, and each woman contributing Rs. 100 ($2.22) to the share capital. Women held several discussions about a common federation, as they were offered large amounts of credit to do so, but by then they had learnt to question NGO decisions as well. They had also learnt to rotate money at the group and cluster level, and realised that every layer, in terms of a second and third tier organisation, could also add administrative as well as financial costs. They debated the added value of incurring these costs, i.e. the benefits that would accrue by having a federation, which they would lose with just SHGs and clusters. Savitramma, leader of Rangamma's group and also at the cluster level, articulated their needs to Sampark as follows:

"Now we give loans from the group and earn interest of 2% per month at group level. When we take loans from the cluster level, we have to share the interest earnings with the cluster. If we introduce a third layer, the profit at group level cannot be retained. As the group members share the risk of non-repayment, we want to keep the profits at group level. So we do not want to have a federation for micro credit. What we now need from Sampark is to get us more grants and marketing linkages with the government so that we can start more businesses."

The field manager of Sampark, furthermore explained: "*The women are right and we have stopped promoting the federation idea. We are now concentrating on strengthening the clusters. But it is very difficult to convince external agencies. If we approach them for bulk lending to the groups, they want to deal with the NGO. We have to show scale and volumes to be able to raise loan funds. If we keep hesitating to form a united forum of women at the taluk or district level, we will not become a visible force, and will not be interesting for external agencies.*" The pull between external and local perceptions was clearly felt by the NGO manager, who tried to balance the two expectations and to achieve what he felt was 'progress' through the SHG-based microfinance initiative.

These tensions are recognised in democracy and accountability debates which highlight that overtime NGOs usually confront the problem of role-reversal: from demanding of accountability to being targets (Goetz and Jenkins, 2005).

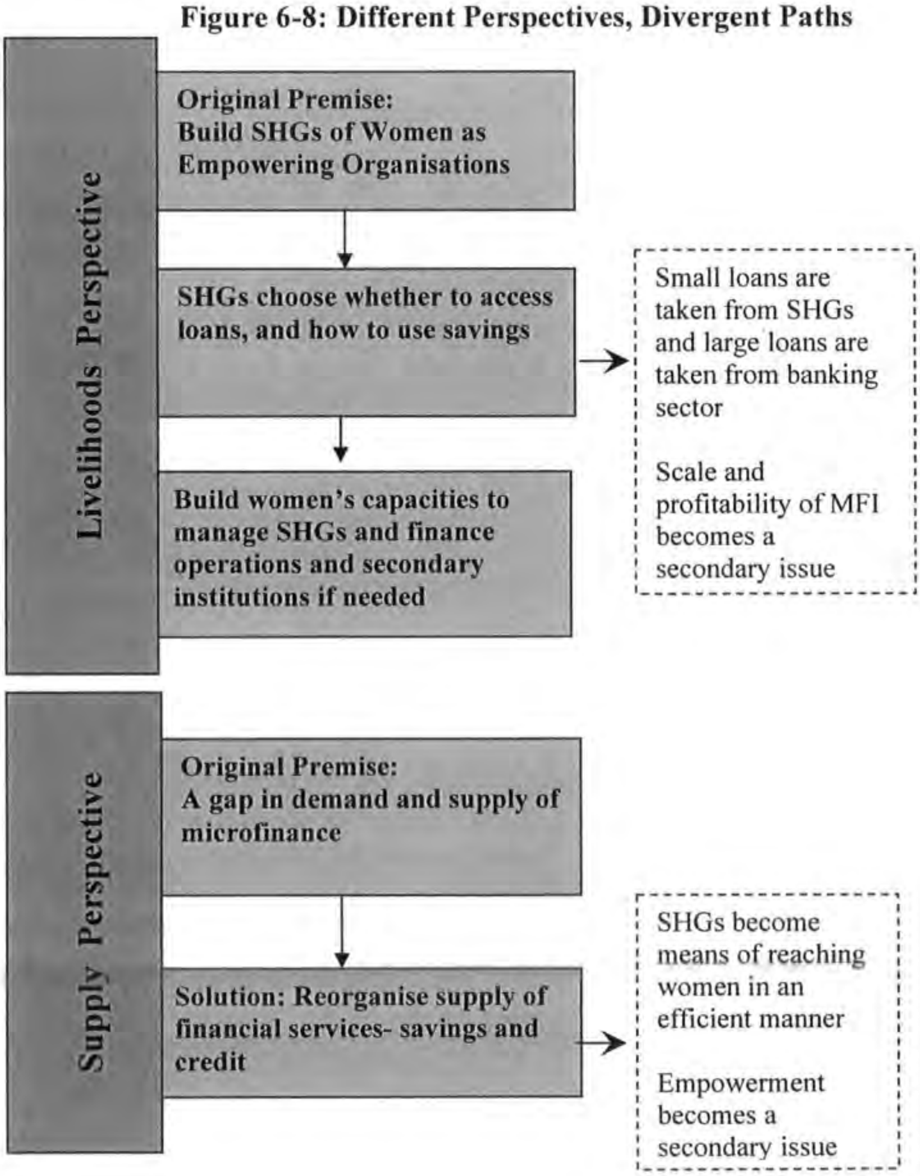
6.3.6 Role of Institutional Form

The role of institutional form in the delivery of microfinance has been examined in literature from the point of view of the supply of microfinance (as discussed in Chapters 2 and 3). The issue of institutional forms, when viewed from the perspective of sustainable demand for credit and use of money in ways that empower the members, takes different dimensions, regarding potential impact.

The research was conducted in a context where the NGO, Sampark, was a 'facilitator' of credit linkages. It had limited funds for capacity building, which were spent on technical, leadership and group management training. This had positive effects at individual and group levels, as illustrated in the following cases. The direct impact of training in technical and leadership skills was often positive and significant. For example, Sushila's training in tailoring helped her sustain her family. Kaveri was provided training in horticulture, following which she bought plants to put on her farm and homestead and increased the consumption of green leafy vegetables in the household. Sangavva received training from the agricultural department in seed conservation and has applied it to her benefit. Lakshmavva benefited from training in leadership, buffalo rearing and the conservation of hay. A workshop on natural resource management held at the village level benefited not only the participants but also several others in the village. Exposure visits to different groups not only gave the women new clues to better management of SHGs but also made them realise that they all faced common problems, e.g. alcoholism as a result of liquor shops in their vicinities. Visits of external people to the group have brought other opportunities for exchange of opinions and new lessons for women. One SHG debated the possibility of augmenting skills of women so they could earn from income generating activities like tailoring. On request, Sampark organised tailoring classes for the women and their daughters. While the daughters who were able to stay away from *coolie* labour attended these classes, the women who were sole earning members of their households could not find the time to acquire new skills.

At the group level, SHG-management trainings helped to create capacities of groups to manage their own money and access credit from formal sources. The members had the power to decide whether or not to access loans and on what terms. The use of credit was therefore demand- dependent. Traditional impact hypotheses set forward to assess microfinance impact track the use of microfinance for micro enterprise promotion, leading to increased incomes and reduced poverty (Hulme and Mosley, 1996). Such supply-oriented focus overlooked the possible situation that the primary objective of group formation may not be access to credit. If the objective of women in forming SHGs is to save and not necessarily to take external credit, a credit focus may eventually be misdirected. There is an empowering impact of retention, management and use of savings by women's groups. This empowerment derives both from the financial aspect of creation of capital at the group level as well as social capital created through group processes. Women need to be able to collect and control their own savings, and must at all times know the risks and advantages of a particular deployment of their capital, as well as have control of the expenses of the organisation. This requires an investment in building women's capacity to manage such organisations. Further, while profitability of credit and savings services provided through external agencies can be contingent on scale, women-controlled organisations may benefit from being small and medium size. Thus, the institutional form of the NGO/MFI is important if seen from the perspective of ownership, control and management of finances. The divergence of the two perspectives of external agencies, namely financial services and empowerment perspectives, may be seen as two different paths (Figure 6-8).

Figure 6-8: Different Perspectives, Divergent Paths



If the starting premise is that there is a large demand/supply gap in microfinance which needs to be filled, the solution is to reorganise the supply of these services, often through the creation of sustainable MFIs. In this approach, the role of SHGs is limited to reaching women in an explicitly cost-effective manner. Other empowering impacts of management of the services by women themselves are not considered important. However, if empowerment of the poor and of women is the objective, then womens' preferences and priorities for use of their own savings become important. In this case, a link to banks does not jeopardise this access and may be a preferred route to meet credit needs in excess of women's own savings. Further, the need for building women's capacities also becomes important. This indicates a need to build capacities at the group level, and also to create secondary or apex institutions e.g. federations or cooperatives. The empowerment approach calls for long-term investment in building people and NGO capacities. The conflicts between these two perspectives are not easy to resolve. On the one hand, as seen in Chapters 4 and 5, the supply of microfinance from the formal sector, and on reasonable terms, is indeed limited. On the other hand, when NGO/MFIs offer credit on commercial terms, it also becomes too expensive and some women opt not to use it. This highlights that the importance of 'unsubsidised' model of credit by RRBs which women preferred was based on a long term relationship, and was growing in Koppal district during the study period 2001-2006.

6.4 Implications for Empowerment Impacts

The understanding of women's own management of their saving and their group dynamics shows how social learning processes fostered through SHGs create empowering impacts, at the individual, group and community levels. In turn, this has further implications for the type of microfinance institution to be promoted.

6.4.1 Groups Creating Social Capital

Social capital improved by the process of women coming together, even in a research context where groups were weak in money management, where women did not have the time to attend group meetings, and where the NGO provided little training. Social impacts of SHGs and their savings and credit activities were wide-ranging, as illustrated in Table 6-6. The analysis is inspired by the framework of Chen (1997), which classified three types of improving impacts: cognitive, perceptual, and relational (as outlined in Chapter 2). An additional category of community level impacts was introduced to identify and emphasise positive actions that women had taken through their groups.

Table 6-6: Social Impacts

Cognitive	• Increased awareness and knowledge
Perceptual	• Confidence in relating to bankers and government officials
Relational	• Status and recognition in family and community • Improvements in contacts among peers, through group membership • New contacts created, with banks and government officials, local leaders, businesses
Community Level Impact	• Wide range of community activities and influence

> ***"Now we feel comfortable to discuss and communicate with people. When someone visits our houses we are able to discuss why they have come, their projects and plans"***
>
> - Mariyamma

At the cognitive level, women experienced an increase in awareness and knowledge, not only about money and its management, but also about their wider world, e.g. knowledge of government schemes, and how the education or banking systems work. Their own judgements of these organisations changed and they developed more confidence to respond to, approach, and represent their needs and preferences to external agencies with whom they had never interacted directly before. They explained:

"Before joining the group I didn't know anything. I did not have any idea of saving money and did not know how to count. I did not know that the saved money can come to our rescue. Now I have learnt about it and I have the courage to speak; I also participate in group discussions and I can also take decisions." - Nagavva

"I gained knowledge about different aspects of functioning of groups, and about the savings and credit systems. I gained knowledge of banking procedures and bank loans. Now I can teach other new groups about group tasks and activities. I never had any idea about groups before joining one, now I have attended many training programmes in Koppal, Huvinala, Hosahalli, Hyati and Bahadurbandi. I had the chance to speak with and interact with different people. I came to Sampark office at least eight times in the past two years, and gained knowledge about group management, audit, business, etc. Now for some time Sampark has not provided new information and training, they are busy organising more groups. I am not happy to just have group meetings, I want training often." - Rangamma

"Earlier I did not know anything about a group. When the staff came to our Keri (street) they talked about Sampark, SHG and savings. After they left our 'keri', people said that these people have come to take our money so don't pay any heed. I was frightened by this, so I waited a bit. Once when I went to Halegondabala for coolie work, where a few members from another group were discussing about their group and savings. Then I learnt about the group concept and that savings will help us in times of difficulty. Earlier I had to beg my landlords if I needed a hundred-rupee loan, and I also had to leave my sons as bonded labour with these landlords for any loan advance. Now I have escaped all of these since I am in an SHG. The members of the Mudhaballi group and our community have benefited a lot after forming the group, and can also get benefits under the government schemes. I want to come out of my poverty so I joined the group. If women work through SHGs, they can also come forward. If someone falls sick or if there is some function I take money from the group, but if I ask others they do not give in time, so by saving in the group there are lots of benefits and no problems. By becoming a member of a group, we gain knowledge about repaying loans, how to take loans and so on. In this way, I get knowledge about all aspects. After joining the group, I have also learnt to write my name, I have a bank account and I also know how to deal with bankers and do banking transactions.

Every week we have group meetings and we discuss government schemes. Now, they are giving some loans from the SC/ST Corporation for doing dairy farming. The *sangha members are thinking of buying goats. For the past three years, after forming the sangha, we have not benefited from any scheme, so now we want to make use of this opportunity. If we get this scheme it will be very helpful for us. Nowadays no schemes come for the village as the elders of the village are not good. We are happy about the Sampark people as they have given us knowledge about the group. They have told us about going to Koppal to discuss issues about loans. Three members from our sangha will go and we will get the information. We have already informed the members to repay the loan in time if they take one. Earlier I did not have any information about bank or bank loan, but now after forming the group, Sampark staff gave us the information about the bank, loan from bank, how to get it by presenting the required papers and for what purpose to take it. Our bank account is in TGB Koppal for the past 1.5 years. We have Rs. 8,500 ($189) in it. Since our money is in the bank, we have confidence in it, and also we know about bank officers as we go to the bank. We can get loan from the bank."* - Yellamma

"Earlier, we did not know how to talk with people like the bank manager and those who work in 'official' places. We used to be scared to talk in public places. Now I am able to talk with group members, non-members, and have learnt how to convince government officers and bank managers. Because of group formation, we have learnt where to go, for which information. For example, when there was a need to get permission to get electricity for our dairy shed we went to the electricity department and got the connection. Now I am able to talk for a Kannada TV program in front of an audience without any hesitation. Earlier, we rarely went out of the village i.e. Koppal. Now we have been to Gulbarga, and big cities like Bangalore.

This was not easy, I faced a lot of problems in the initial stages. I used to go to each house to convince the women to attend literacy classes so we could manage our group better. I used to leave in the evening and come back late at night. My husband punished me, saying that instead of helping the daughter-in-law with the cooking, I had gone visiting, so he did not allow me to enter the house, I had to sleep outside that night. My daughter came later with some food for me, and then she joined me on *these rounds. My husband punished us again, and we slept hungry."* - Bharmavva, leader, Durgadevi group

She laughed as she related these incidents, and was quite convinced that she had done her duty as group leader, despite her husband's objections. Women also claimed that they received more recognition from their husbands and children for accessing loans and for acquiring new learning. Their own confidence in their abilities increased, as they felt they had developed the 'habit of savings' and could now create joint capital for themselves. The confidence building that takes place through groups cannot be easily explained. This researcher observed how slowly women came together, sharing first the money transactions, and then discussing other matters. They usually would not talk openly about domestic violence, yet they now made protests against such treatment within the household. For instance, Sushila's husband used 25% of the household income, all of which she earned, for alcohol, and would beat her to extract it from her. She gave it as she lives in a small house in a crowded neighbourhood, and felt ashamed if the neighbours heard their quarrels. Over the three years that she formed and led her SHG, she developed more confidence to stop giving money for alcohol. She said: "*Now I refuse to give him money for drinks. I earn it for the food and education of my children. Let him earn the money he spends on drinks.*"

They also become much more assertive regarding control over financial decision-making. One group member said:

"*If we feel that the loan is for the family, then we take it from the group, but if we feel that it is only for the husband, then we do not even propose it to the group. We also involve the husband and family members in repaying the group loans.*"

More recognition and acknowledgement of women's needs and desires came also from the men leaders in the villages, who stated that women's groups had made them '*realise that women existed*'. Sangamma Pujari, a leader and the temple-priest of the SC community in Bikanhalli elaborated:

"*We never really took women into account. We did not really see them, they were around, and that is all! Now at least we see our women as being there. They used to hide their faces, tighten their clothes about them, and move away when they saw us approaching. Now they leave their faces open, and approach us without any hesitation. They have begun to demand equal rights! They actually asked to use soap and coconut oil in their hair like men do. They said, you have to allow us. How is it that men can use soap and coconut oil and we cannot? We had to allow them to use these things! I used to get more respect then, now I hardly get the respect that an elder and leader should get.*" He said all this in a seemingly matter-of-fact way, feeling little rancour. It was as if these changes were inevitable and women were right to demand more equality, as male leaders acceded.

> ***"We had a discussion about our community problems. We don't have a water facility and also poor people did not get BPL card, so I want to go to the gram panchayat office to talk about these with the secretary."***
>
> - Yellamma

Women were able to make representations to the government to remove local liquor shops, start bus routes, and appoint teachers to the village school. They contributed to the community by donating glasses, water filters, and furniture to village schools and cash for celebrations of festivals and cultural events. They planned and carried out community activities like cleaning village roads and the vicinity of the drinking water wells. These activities generated more confidence among women because they were able to influence their immediate living environment and had the collective power to take action, and their status improved both as individuals and as groups. Women who could not afford loans for income generating activities, took Sampark grants and loans for their child's education.

> ***"All the members come for the meeting every week so I feel happy to go to the meeting."***
>
> - Yellamma

Such positive actions were limited to household and village domains, and did not challenge discrimination on the basis of caste in terms of eating and drinking with the lower castes, except occasionally when in Sampark training programmes.

This brings out the important effect of banking on social capital. The formation of 'homogenous' groups on the basis of castes and gender reinforces the low status of the group members, e.g. *devadasis*. Such homogenous composition has some benefits, but it also has major limitations, i.e. it is difficult to break out of the positioning at the lowest rung of the socio-economic-cultural ladder. If microfinance organisations create new opportunities for women to relate to one another beyond their SHGs, this would result in new social and economic linkages, which in turn would enable a break from traditional caste groupings, thus creating new forms of emergent social capital. Sampark enabled such augmentation of social capital by conducting capacity building workshops for women, and by linking the groups to banks. Education of children also helped improve the human capital and asset base of the household, and therefore its future capacity to absorb credit.

> ***"When I first went to the bank, I did not have the courage to go inside, so I sat outside. Now I have the courage to go to a bank and also understand how people pay money to the bank and get money from there."***
>
> \- Parvathamma

Introduction of SHGs as forums for women created new socio economic spaces that allow for more individual aspirations to be met, emotions to be expressed, and improve self-esteem. The positive impacts evident at the individual, family and community level are proof of the SHGs' role in creating local capital. This building of social capital takes place through social learning processes in SHGs. It is a trial and error process through which women learn. The manner in which these processes can be supported, monitored, evaluated, and enhanced needs to be viewed from a learning perspective. There is a need for the evolution of a system suited to women's context specific needs and preferences, rather than the general application of externally devised 'best practices'.

6.5 Summary

Savings is the key financial activity that binds groups together, and their use reflects the needs of women. Group management of savings involved social processes of cooperation as well as conflict resolution. This left women open to risk of loss of money if their savings were mismanaged, or if some members, or non-members to whom they had lent money, did not repay. Non-repayment to banks also led to them being termed as defaulters, which meant denial of further subsidised support through government schemes.

The greatest success of the group based methodology of lending has been the change in orientations it brought about at the macro level, in terms of inducing the government as well as banks to adopt it for reaching credit to large numbers of rural people. This change in the collective orientations led to greater receptivity and enhanced flows of credit from the banking sector to the rural poor. Thus, the 'transforming structures' changed in a way to accommodate a new methodology for reaching the poor that has had cascading positive impacts. While the proliferation of microfinance has positive financial impacts at the individual and collective levels, it has also had negative impacts, such as increased vulnerability through group processes.

Having looked at the three themes that influence the impact of microfinance in the previous three chapters, the next chapter restates and consolidates the conclusions from the research. It takes a broad livelihoods view of impact, discusses the barriers to greater impact, in terms of the orientations and values of different actors, and how these influence meanings and strategies with regard to money as a resource.

Chapter 7
Conclusions and Reflections

The purpose of this research was to understand microfinance impact from actors' own perspectives. The critical and interpretive research approach adopted a longitudinal case study methodology, in a semi-arid context, to explore how women use money and what meanings they assign to it given the different models through which it is delivered to them.

The recent trajectories of different models and lessons learnt in 'development' work have brought varied actors to a point where each, for different reasons, converged towards microfinance as critical for poverty reduction (Joshi, 2003; Vyas, 2003). Microfinance was regarded as an improvement over traditional development banking, which had targeted the poor with subsidised credit, and proved ineffective (Zeller, 2003a; Srinivasan, 2004). It combined various official poverty reduction schemes, which had not only proved costly, but also did not reach their target group (Karmakar, 1999). Finally, it provided a way out of unsustainable and expensive donor funding, which had wanted to involve the poor as 'agents' rather than as 'targets' of development, and was keen on 'proving' its impacts (Hulme and Mosley, 1996; Johnson and Rogaly, 1997). Thus, at a time when the external environment no longer supported the 'welfare state' concept, microfinance provided a means by which actor agency would be restored, development investments would improve, and poverty impact demonstrated while delivery of financial services through women and their groups would enhance social capital and women's empowerment (Fernandez, 2006). This was the dominant policy model that led to unprecedented growth of microfinance in India, as elsewhere since the mid 1980s (Lingam, 2006; Kalpana, 2005).

The research questions of this thesis stated above emerged from the divergence between external and local perspectives about microfinance, as observed in a wide range of NGOs and women SHG members. Microfinance impact studies had tracked use of MFI loans, and their impacts at the household level. Further, positive impacts were emphasised in an environment which promoted neoliberal ideology and used 'empowerment' discourse to justify the 'productive use' of women (Kalpana, 2005;

Rankin, 2006; Fernando, 2006a). The dominance of policy models was therefore evident in the context of microfinance (Townsend, 2003; Mosse, 2005). In order to deal with this, the research prioritised women's perspectives, and set out to discover what money means to women, as reflected in how they access, use and manage it, through a longitudinal study of ten women and their livelihoods, and the seven SHGs they had formed, located in a semi-arid regional context. The experiences of these women provided an understanding of the meanings assigned to money.

The research highlights how women's agency or orientations and value base determine their strategies of money management and stewardship over other resources such as land, family members, and cattle, to improve their livelihoods. The conceptualisation of vulnerability that emerged from the fieldwork is discussed and the constitutive importance of language and meanings is analysed. This chapter reflects on the detailed findings and the conceptual learnings regarding women, and the impact of microfinance on their livelihoods, as well as the conduct of research itself.

7.1 Effect of Livelihoods Context

The research premised that the livelihoods context (ecological, economic, social and institutional) was an important factor in determining use and impact of credit, and thus studied these contextual factors. It explored how the availability, demand and impact of microfinance were related to the livelihoods context in which people reside.

7.1.1 Ecological and Economic Constraints

The ecological conditions of Koppal were compounded by loss of forest cover, ground water depletion, and increasing salinity of soils, which made agriculture risky and unprofitable. Irrigation has aggravated the problems of soil-salinity and ground water exploitation. An underdeveloped industrial sector, and lacks of other enterprise opportunities, resulted in low demand for commercial credit. Formal banking credit to SHGs was already limited and only one RRB had provided loans to SHGs outside of official subsidy. The current supply of credit did not meet the needs of those poor households who had to migrate to ameliorate their indebtedness as Mosse et al (2004) also found.

In Koppal, acute concern about household survival resulted in greater groundwater exploitation. Yet, reduced groundwater endangered the sustainability of local livelihoods in the long term. Thus, integrative strategies at the community level and collective problem solving efforts were needed. The official credit, which was targeted at households, did not address the ecological dimensions of semi-arid livelihoods.

Other emerging research recognises that depressed rural markets limit the scope of microcredit as an income generating strategy (Wright, 2006). NGOs typically concentrate credit activities in those areas where the social and physical infrastructure is relatively well developed, and thus provide credit to better placed and better off groups compared with the poor located in interior and less developed areas (Fernandez, 2005; Fernando, 2006b). Conversely, those in remote areas were more reluctant to participate in credit programmes (EDA, 2006). While earlier microfinance impact studies do not consider the literature that links agro ecological considerations with poverty (Jayaram and Srivastava, 2003), more recent literature makes a link between poverty, migration and indebtedness (Mosse, 2004), and this is developed here.

The research found that credit directed at households may not solve the ecological problem but can exacerbate it, as the money is used for short-term solutions like borewells which increase soil-salinity. The vicious cycle of degradation of natural resources may only be reversed with different policies as well as natural resource management practices, suggesting a need for long-term subsidies and investments for regeneration of soil and water before substantial change in livelihoods can occur.

Thus, the context-dependence of credit off-take is highlighted here, which contributes to the academic debate by indicating the limit of household-directed credit while raising the issue of community level solutions and funds to overcome ecological and market constraints. Though other research recognises the need for collaborative approaches for ground water management (Ray and Bijarmia, 2006), both academic literature and development practice are yet to link the current credit methodologies with social relationships for alleviating contextual livelihoods constraints.

It is therefore important to prioritise better returns from the asset base while raising skill profiles. The economic arguments for augmenting the physical, human, or natural capital of an area, and providing safety nets for the most vulnerable and poor, become relevant to creating sustainable livelihoods in these marginalised areas (Rosegrant and Hazell, 2000; Robinson, 2001; World Bank, 2001; Rutherford and Staehle, 2002; Sundaram and Tendulkar, 2003).

7.1.2 Institutional Orientations and Values

The potential impact of microfinance on livelihoods is mediated by the differing values and orientations of the actors concerned. Poverty was a qualification for accessing resources from government programmes (BPL cards). Other criteria included social exclusion: caste (SC/ST), age, widowhood, *devadasi*, and other disabilities. Actors could show 'poverty', or such eligibility as was needed, to access resources from external agents. However, it created more preference for, and dependence upon, external resources and accepting externally designed solutions, rather than individual responsibility.

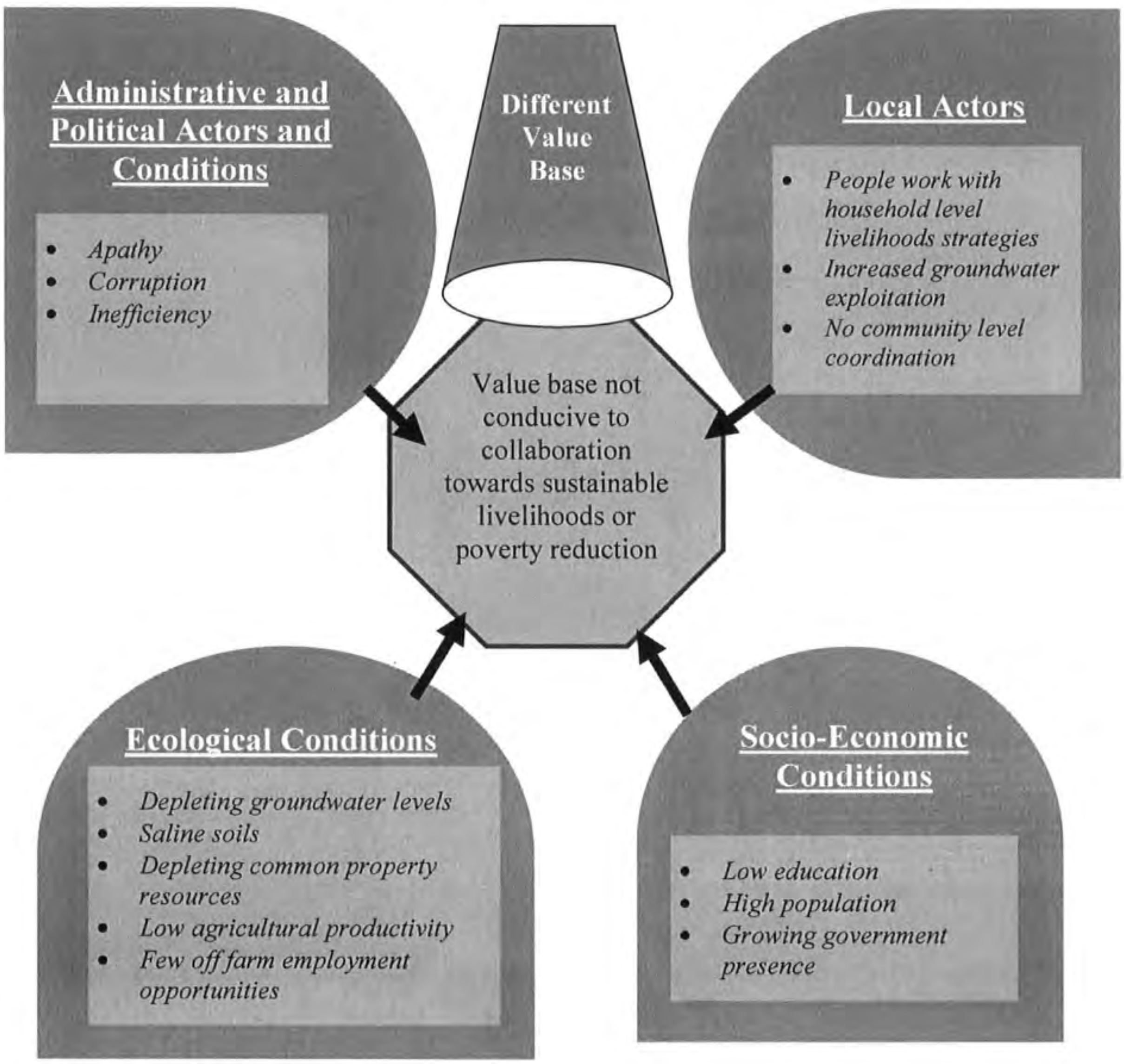
The administrative systems in Koppal, and the political actors involved (*panchayat* and legislative assembly leaders), were often either apathetic or corrupt. Although corruption was challenged by women's groups, both rent-seeking behaviour or 'percentages' were viewed as part of the 'system' and accepted as such. Government officials and local leaders acted as intermediaries to distribute such 'benefits'. Many NGOs, too, identified such 'beneficiaries' and linked them with official schemes, while themselves imposing mediating charges, so that the poor were not equal partners in development. Government support was not seen as a legitimate right or entitlement of the poor (Sen, 1999), but as a 'benefit' which government 'provided'. Thus, the relationship that developed between the government and the poor was that of 'giver' and 'receiver', or 'benefactor' and 'beneficiary', often in favour of the 'benefactor'.

Women and NGOs differed about what the NGO can and should do. Sampark valued 'facilitation' and saw capacity development as important. Women agreed that the NGO had taught them how to save and manage in groups, but considered the financial linkages with banks and governments as more important, and complained that the NGO had not yet enabled them to access free government funds. This raised the question about the NGO's role itself. There were NGOs who complied with this 'system', and channelled some 'benefits' to people while also appropriating some resources themselves. The dominant expectation from the NGO was to channel external resources into the village, and this shaped much discussion of what was 'given', and how it was 'given' and 'received'. Thus, actor orientations were adapted to those of the larger administrative and political 'system', an important factor to be considered for any intervention strategy to improve the livelihoods of the poor.

This pointed to an inherent weakness in the value base, whereby people did not move on from household to wider community based strategies of resource and property management. Administrative and political actors too did not consider the community but sought to increase their own earnings from the service delivery, and many local actors 'played safe' by following the 'system' of corruption rather than challenging it.

In this way, only a few actors considered sustainability of the natural resource base important, while government efforts did not directly help poverty reduction. The value base of one set of actors was thus corruption oriented and they appropriated benefits originally meant for the poor. The strategies of the local population, on the other hand, were based on household survival and therefore not oriented towards those community solutions which could have been critical for achieving sustainable livelihoods. This is especially true given the prevailing conditions in this region, as depicted in Figure 7-1, using the AOP framework.

Figure 7-1: Values of Local and External Actors



Emerging literature about organisational learning and accountability emphasise the importance of integrating the value systems of NGOs, donors and state (Lewis and Madon, 2004), and how social learning processes and communicative action are needed for sustainable governance of natural resources (Rist et al, 2006). This research found such 'integration' difficult and highlights how an NGO has to choose between aligning with the larger structure to 'channel' benefits to the poor, or play an activist role in challenging the structure itself.

7.1.3 Socio Cultural Orientations

This research found that the community was highly fragmented, with caste-based stratification, ostracisation practices, and orientations that marginalised the scheduled castes. Little change had occurred in Koppal, despite the existence of Dalit Sanghas and NGOs, and laws against untouchability. Though microfinance provided some economic support, wider social dignity was still denied to devadasi women, and to SCs in general. There were relatively few development interventions in Koppal that made a real difference to these social norms and practices.

Zohir and Matin (2004) conceptualised wider social impacts such as changes in social relations and social organisations through conscientisation. This research found women stating that they now borrow less from the landlords individually, yet at the collective, community level, microfinance made little impact in caste discriminatory practices, with actors stating that they cannot break existing social relations because they are bound to landlords through economic dependence.

Microfinance worked differently with SHGs, small collectives of women of homogeneous social composition. The concept of 'affinity' or 'neighbourhood' groups indicates a preference for selecting people with pre-existing relationships of trust used as a basis for building up financial linkages. Thus, microfinance programmes could even possibly deepen caste affiliations and reduce incentive from practitioners to ameliorate rural caste discrimination (Fernandez et al, 2000). Other research endorses the finding that government finds it easier to channel its benefits through caste based groups, which deepens caste divides in the name of "affinity", although there were cases of SHGs bridging caste-divisions through NGO initiatives (EDA, 2006).

This research cautions that mainstreaming and treating devadasi women as village poor obscures the special issues that they face, (e.g. the specific isolation and deprivation of human rights) but having separate groups of scheduled castes, or devadasis can also isolate them, and thus deepen their existing social exclusion. The latter, however, is needed in order to improve access for SC women to state economic support. Thus, strategies that mainstream socially excluded groups can also ignore them, while those that give special attention can further marginalise them. Emerging research recognises this tension. For instance, caste, marriage laws, practice of child marriage and literacy are all factors which determine women's autonomy and social participation (DANIDA, 2004; Sengupta et al, 2005), and that the balance between enabling women to access benefits, while still achieving greater solidarity can be difficult to achieve (Premchander and Mueller, 2006).

This research finds that the expectation of impact on livelihoods, from a sector-specific intervention like microfinance, has to be tempered with the understanding that significant impact requires more than microfinance alone, and other efforts are needed to make an impact on ecological and social constraints. Change in socio-cultural orientations is essential before socially marginalised groups can attain sustainable livelihoods.

The limits of microfinance in making wider impacts are evident elsewhere. In programmes in Peru, rather than create social structures based on unequal kinship and patron-client relationships, microcredit groups were instead ridden with internal competition, corruption by leaders, and reinforced existing hierarchies and inequalities (Bebbington and Gomez, 2006). Microfinance organisations did not intervene effectively, regarding group conflicts as non-intervention issue 'internal' to the groups. Claiming that financial sustainability was their primary objective, the NGOs lacked time, skills and systems for managing and resolving group conflicts, and also feared negative publicity. The result was to enforce rather than challenge power relationships in the wider community (Wright, 1996). Recent ethnographic research demonstrates that while microfinance could develop a collective social criticism of gender and class inequality, this hinges on whether such broad debates are promoted within microfinance programmes, which could institute a more normative agenda for development and facilitate more transformative interpretations of women's needs (Milgram, 2006).

Fernando (2006b) takes examples from ASA and Grameen Bank to show how donors were apprehensive that emphasis on microcredit would be at the expense of education, advocacy and structural reforms, and quotes Hashemi of Grameen Bank as warning that any shift of emphasis from conscientisation and social mobilisation to microlending would cause "demise of the conscientisation paradigm" (Fernando, 2006b: 207). Researchers in the Indian context have also recognised that attention to social issues depended on the emphasis the promoter NGO attached to this issue (Reddy and Prakash, 2003). Thus, emerging literature also endorses the findings of this research that prioritisation of women's conscentisation and empowerment also needs to address social hierarchies and inequalities.

7.2 Use of Money

Microfinance impact literature has highlighted certain issues, but mostly addressed institutional concerns, without fully understanding the actors' perspective as recipients of money. This research shows that the use of money first depended upon the sources of that money, due to the values, like transparency, honesty, mutual support, on which the relationship between women and their creditors had been based. These relationships influenced the particular terms on which the money was available, and also determined the size of loans women could take, and the purposes for which they used them. It also finds that informal loans helped smooth consumption or enabled them to meet social or other urgent needs. However, there may be some exploitation inherent in availing of loans from some local informal sources. Most women used formal loans for the productive purposes expected by banks and MFIs/NGOs. The poorest could not afford commercial credit, because they could not repay it on such terms (Sharan, 2000; Fernandez, 2003).

7.2.1 Capacity of the Poorest Women to take Loans

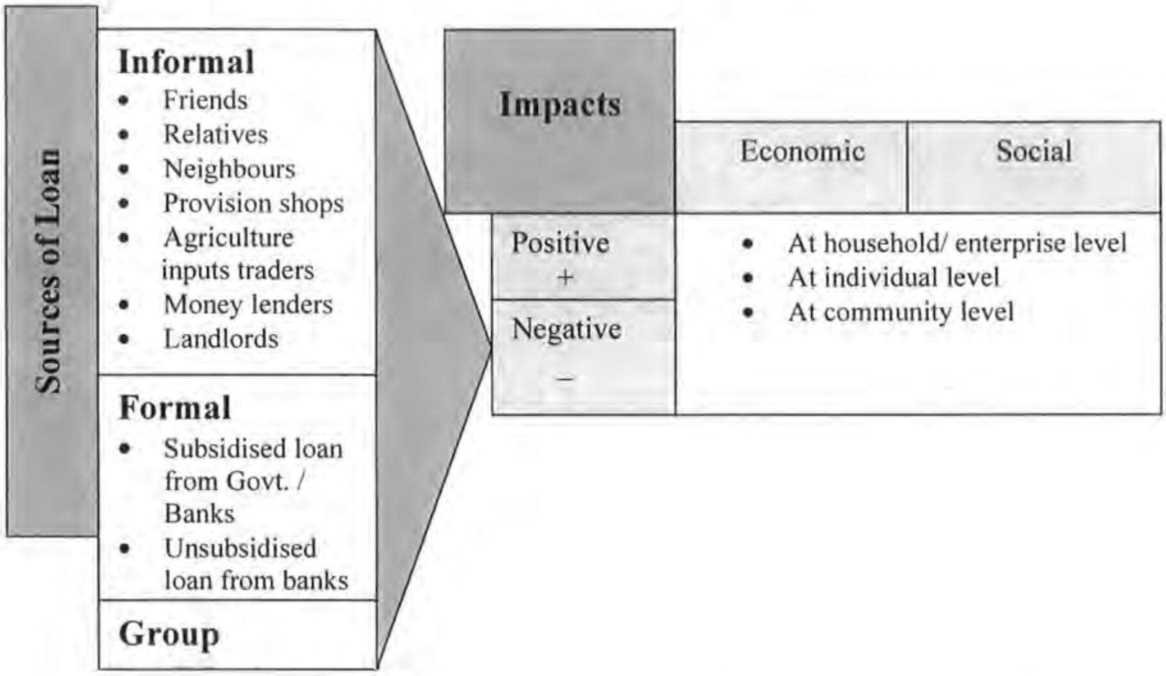
The livelihoods assets analysis (Chapter 4 and 5) demonstrated that women considered three types of assets equally important (land, labour and money), and that a surplus of human or physical capital was needed to take the new credit terms offered under commercial microfinance. Without surplus income, they could not take any credit that required uniform and regular repayments, especially for projects generating seasonal income streams. There were thus distortions in the credit market against the poor, who could only access credit from local informal sources at high rates of interest, and at potentially exploitative terms, which made productive use of such credit difficult. Women took loans on these terms to meet their social needs (death ceremonies, marriages), and expenditures that they judged essential, rather than for income generating activities. Money for improving livelihoods was important, yet credit did not lead the poorest out of poverty, as they could not afford the credit offered.

The inability of the poorest to participate in microfinance is now recognised in the emerging literature. One recent study found that drop out rates are highest for the very poor and lower among the wealthier women, and migration accounted for 40% of dropouts in Andhra Pradesh and Karnataka. Thirty percent of women who dropped out of SHGs studied in Orissa and Rajasthan stated their inability to save was the primary reason for doing so (EDA, 2006). From a livelihoods perspective, creation of SHGs could help women demand financial and non-financial services on terms better suited to their own priorities. Savings helped women convert small amounts of money into large lump sums, but the size of these savings was restricted by their limited ability to save. When women had full access to, and control over, their own savings, as did the participants here, they did not always abide by rules about regularity and use of savings, and could prioritise their own particular needs. Decision-making about use of money created social learning processes that were important in building up the social capital. This was also found in other research (Rajagopalan, 2004b; APMAS, 2005; Ranadive and Murthy, 2005).

7.2.2 Impacts of Loans

The impact of loans was analysed according to whether they were taken from informal or formal sources, and a third source identified separately was from women's own savings, or group loans. The impacts identified were both economic and social, and were also both positive and negative. This framework is depicted in the following diagram and is used for analysing microfinance impacts.

Figure 7-2: Framework for Impact Assessment

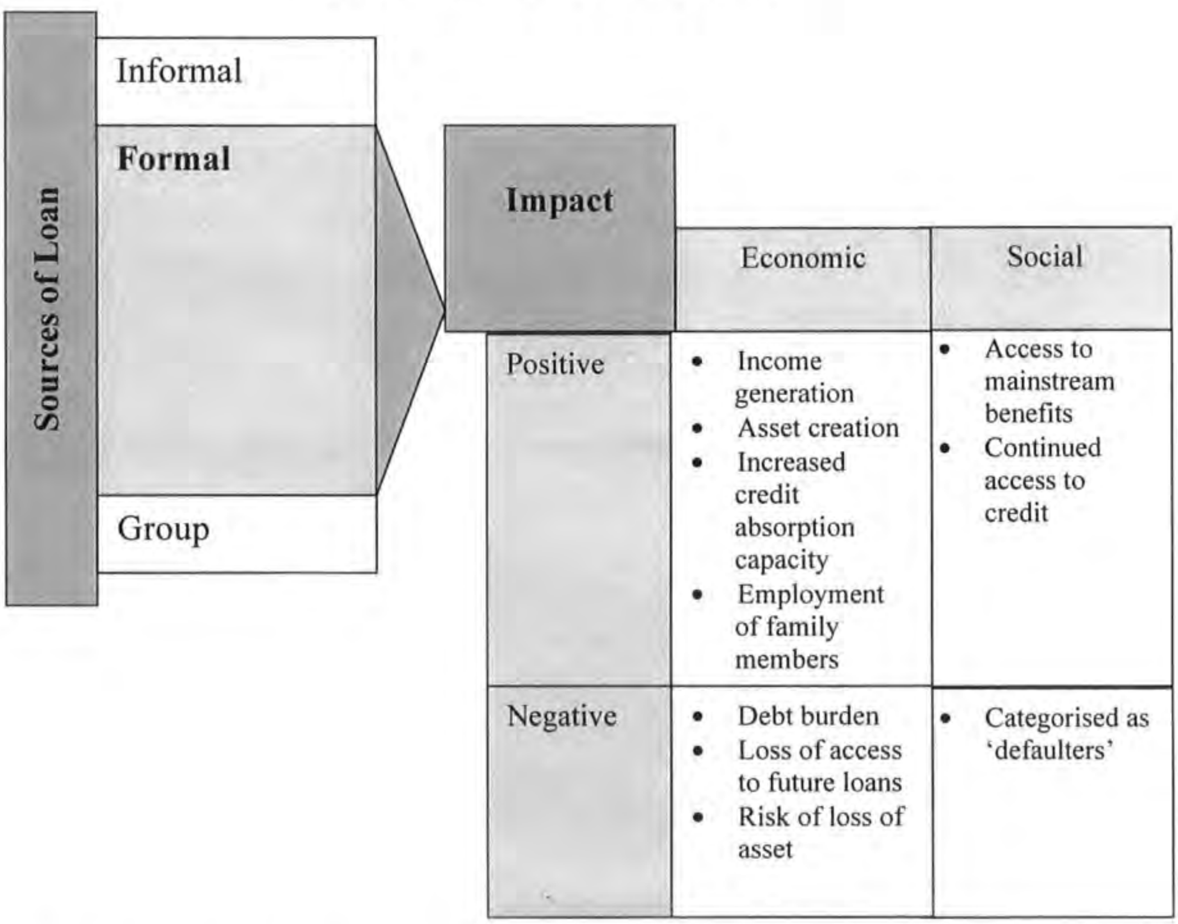


It was found that the use of the money borrowed depended on several factors. For instance, the risk was related to the source of money; women's own capital was less risky than loans taken from external sources, whether formal or informal. In this research, women took informal loans from neighbours, friends, and relatives, *kaigada*, to cope with short-term financial difficulties. Provision shops and agricultural inputs traders extended credit in kind. These facilitated household consumption and small investments in agriculture, leading to income generating impacts through agricultural produce or *coolie* wages. These transactions were based on socially embedded local ties, as they were from neighbours, friends and relatives, often from the same community, and therefore created positive reciprocity. However, they also tended to be limited by the capacity of providers, from the same economic strata as the borrowers themselves. Financial transactions were socially embedded, and existing social networks did not offer the financial capital to lift the poor out of poverty.

Similarly, the seasonality of cash flows in a primarily agricultural economy made it difficult for the women to follow any uniform repayment schedule. Women's capacities to take loans and repay them were linked to the human capital of their family, which depended upon the number of family members and their respective earning capacities (i.e. education, skills, migration). Thus, capital base was a good indicator for forming the baseline and measuring the impact of credit against it. On the issue of purpose of loans, it was found that women needed consumption smoothening loans and took these from their groups on a regular basis. They were also tied into constraining labour arrangements with the landlord due to small loans taken for consumption or social needs. Finally, the costs of credit and repayment terms were often too stringent to allow any margin on small, local and uncertain income generating activities. Therefore, the credit offered and the credit actually needed by poor women did not match, resulting in reduced credit usage from external sources.

The impacts of formal loans are presented in Figure 7-3 below:

Figure 7-3: Impact of Formal Loans



The positive impacts of formal loans included income generation and asset creation. In cases where loans were given through honest and transparent processes, which was often not the case, the poor gained mainstream benefits and continued access to reasonably priced credit through banks. Negative impacts ensued when subsidised loans were provided through corrupt government staff, bankers, technical personnel and local leaders. People risked loss of assets, which created a debt burden if they could not then repay the outstanding bank loans in their own names, with consequent loss of access to formal credit in future. By contrast, when banks provided unsubsidised and repeated loans to groups, they viewed SHGs as regular clients. In these cases women could start more than one enterprise that would really change their household income and employment of family members.

Relationships and value bases shaped financial relationships. These relationships could be beneficial, neutral (transactional) or harmful (e.g. when they led to bonded labour, or to women becoming defaulters of bank loans) depending on the interaction between lenders and borrowers (i.e. whether it was rooted in feudal or agrarian relationships, whether money transactions were settled with labour or other goods given as security, and whether the relationship had a long or short term perspective). These women revealed a preference for a stable borrower-lender relationship, and this (namely the informal relationships with friends and relatives, landlords and local money lenders), they preserved for their most critical credit needs: household consumption and unavoidable social expenditure. Thus, in terms of an improved understanding of the meaning of money, this research endorses an integration of structural and cultural perspectives (Smelser, 1956; Zelizer, 1989; Baker and Jimerson, 1992). It highlights the importance of continuing relationships in determining the financial behaviour of both actors and their institutions. This is also highlighted in other studies where the terms and conditions attached to loans varied according to the relationship between borrowers and lenders, the urgency and amount needed, and availability of alternate sources (Fernando, 2006).

In demonstrating the predominance of social relations, this research contributes to post development thinking which challenges the centrality of economic relations alone (Brigg, 2006). The research highlights the ideas which women themselves have about use of money and the management of groups, thus contrasting an anthropological view (women's own), with a more economic (external intervening agencies') perspective about money. Taking a women's perspective gives different insights from the traditional supply side views of microfinance, and challenges the assumption that the answer to lack of capital lies in the supply of money through loans, which will then be converted into capital ultimately leading to poverty reduction.

7.3 Group Dynamics

This study explored the use of money by women, and how they managed own money as well as external borrowings. The social learning processes were studied to see how the women managed group dynamics to maintain both social and financial relationships. Thus, this study went beyond *what* impacts occur, to *how* these impacts ensue, and *how* women adapt SHGs to their own preferences and needs.

7.3.1 Use and Management of Savings

The amount and regularity of women's savings depended on the stability of their incomes. Those who regularly migrated attended group meetings only seasonally, or else tended to drop out of groups during migration, and had lower income and savings. Some groups stopped during periods when most women migrated but saved again when women returned. Loans from group savings were found to be more useful (by way of using money and earning profits) than savings deposits. The money management practices of groups were geared to the financial and social needs of their members (e.g. by allowing for flexible repayments and conflict resolution mechanisms), though sometimes negative impacts ensued, e.g. loss of money. Women's groups primarily learnt from their own immediate experiences, e.g. lending to non-members until they themselves lost money. Yet, they also learnt from each other, e.g. combining BPL members to take subsidised loans, and negotiating with banks and government greater freedom for selecting assets. Thus, social learning processes in SHGs had important potential empowering impacts.

Leadership and money related conflicts were dealt with by pooling loans and savings and dissolving groups. When members or leaders had taken loans and not repaid, it became more difficult for women, so they opted to dissolve the group altogether. Such dissolution was typically followed by an immediate reconstitution of the SHG and the exclusion of offending members. This method of handling money was a problem-solving mechanism that group members had developed themselves. The analysis of group processes revealed several means for resolving issues of leadership, distribution of savings and loans, and loan repayments, and demonstrated how an externally introduced organisational form, namely the 'self help group', was shaped and owned by women themselves.

As most loans were delivered through SHGs, these groups gained significance as forums that create empowering impacts. Loans from both informal and formal sources could strengthen reciprocity and increase the creditworthiness of poor women. What the women themselves judged more valuable was how the groups help to create the 'savings habit' which increased capital accumulation. Another important factor was women's access and control over their own savings, which enabled them not only to apply the money for their own purposes (e.g. education and health) but also enabled the groups to retain the profits from the loans transactions to further augment financial capital. In this way the social capital (e.g. groups) enabled creation of financial capital, which led to a joint spiral in both. It was therefore not only money per se, but also group processes, which provided the dynamic forces for this spiral. For instance when leaders were not directly accountable, savings were distributed and groups reformed. Thus, there was depletion in both financial as well as social capital; which is also cautioned by other empirical studies (Montgomery, 1996; APMAS, 2001; 2003; 2005).

SHGs were new forums introduced by external agencies, e.g. microfinance delivery organisations. The latter establish SHGs to fulfil their own agenda for 'cost effective delivery' of microfinance services (Weber, 2004; Rankin, 2006). External agencies would expect SHGs to take a joint liability for credit, meaning that if one member cannot pay, others take the responsibility instead (Stiglitz, 1990; Jain, 1996; Seibel, 2000). This research found that SHGs in fact did not perform this role, and that if one woman was unable to pay, the others stopped repaying as well.

Women rated the savings developed through SHGs as having the greatest impact. The flexibility of practices relating to savings, and loan repayments from savings was able to accommodate specific needs and objectives of members of each group, as found by Rajagopalan (2004a). The meaning women thus assigned to money was different depending on whether they considered it their 'own' or 'external', and thus their loan sizes, uses, costs, and repayment practices varied according to the relationship with the lender. The process of pooling of savings in a group and rotating these as loans provided an opportunity for the women to create and use their own capital. This reduced dependence on external sources, whether formal or informal, and therefore 'own saving' was the single most preferred source of loans.

Research credited women's groups with important empowerment impacts (Hashemi et al, 1996) including a greater sense of community, trust and reliance on the group during times of crisis, sharing of valuable social and market information, and adopting more positive social practices (Johnson and Rogaly, 1997). The idea is further extended to conceptualise a change in power relations with higher authorities, brought about through cooperation, strength in numbers, confidence building, and coordinating to create change (Keister, 2000b). SHGs for microfinance delivery, based on networks beyond family and kinship groups, are considered to have weak, horizontal ties, with benefits in terms of expanding social and information networks, that enhance social capital (Putnam, 1993; Granovetter, 1994). These are considered to provide greater mobility and greater emotional and advisory support from group members for resolving household disputes, and reduced risks for individual and community members (Peredo and Chrisman, 2006).

Other emerging literature now recognises the external/internal divide in people's minds (earlier categorised as 'hot' or 'cold' money) by how women prioritise repayment of 'external' over 'internal' loans (Reddy and Prakash, 2003). It also emphasises the role of savings in times of distress, as social insurance and for increased creditworthiness, leverage for external funds, and in earning interest (Rajagopalan, 2004a). Fernando (2006b) also shows different ways in which women lose access and control over not only their own savings but also household assets and expenditures when they take 'external' loans. Other longitudinal case study research also shows that many women in Bolivia were able to pay loans only by reducing household consumption, that social and structural factors affect use of money, and that impact assessment must shift focus from outcomes at the institutional level to those at the household level (Brett, 2006). Such research confirms the finding of this research about the meaning and association of money as 'own' or 'external' and the relationships between women, NGOs and women's SHGs. SHGs in this research appeared as organisations which women began to own through processes of managing money and negotiating their way through disputes to arrive at more cohesive groups with better social and financial relationships.

This became possible through a microfinance model that did not push external credit and a facilitator-NGO that sought to give women a choice – or a menu to choose from – rather than offer only commercial credit. Where NGO interests did not compete with those of SHGs, there was a low need for control, allowing it to accept women's preferences. Other NGOs in India have adopted a similar strategy (PRADAN, 2006; Myrada, 2006). Women accepted some guidance from the NGO, too, when they stopped giving loans to non-members, or brought down their interest rates to enable poor members to take credit. However, divergent thinking on all issues was not resolved. The NGO upheld its strategy of non-corruption, while women continued to expect and demand higher flows of official 'benefits' to themselves.

As more realise the potential conflict between the path followed by MFIs under the influence of the neoliberal model and the need to achieve development goals like poverty reduction (Shylendra, 2006), further research is needed on the comparative impact of different models of microfinance delivery (UNOPS, 2002). This research highlights aspects of group dynamics which are not fully disclosed and also illustrates what money and its management means to women, in terms of the interplay of social and financial relationships in creating or resolving group conflicts. These are important contributions to existing knowledge in the field. Groups have potential for members to take collective action to address their mutual concerns, with greater social impact. It takes time, a protected space, and investment in capacity building for poor women's economic organisations to grow. This is endorsed by other research (IFAD, 2001; Rajagopalan, 2005; Guèrin, 2006).

7.3.2 Women's Agency and Institutional Forms

Women's own life stories suggested more active self-development. Women's agency, at individual and collective level, can enable them to negotiate larger spaces for action, and reduce the constraints they face. This research found intra-household gender inequities could be overcome to some extent through microfinance, where it led to increased self-esteem and confidence. Women participants were empowered to take decisive actions in their individual lives, like making choices of partners even in constrained situations, and taking decisions regarding family planning. However, they continue to bear the economic burden, and remain emotionally dependent on their parents, partners, and the community in general. Women's experiences, particularly those of the devadasis, were often traumatic from childhood. Social and gender inequities have resulted in debilitating practices like the *devadasi* system, with these women accepting their situation as 'secondary' to the partners' wives, or the mother's inability to get the widowed daughter married. This research found negligible change in social norms and attitudes, indicating low potential impact of microfinance on socio-cultural factors. The negative influence of gender on self-esteem in Koppal is also documented elsewhere (George et al, 2005). However, this needs to be tempered by the finding that women who were *devadasis* completely stopped the practice in all of the 120 groups promoted by Sampark.

Women's empowerment, in terms of more equitable relationships, can be aided by social learning processes in groups that enhance social capital. This was evident by how women managed groups, money, conflicts, and gave meaning to SHGs other than the one which was assigned externally, namely that of 'joint liability for external loans'. Changing relations among actor groups (SHGs, banks, government, NGOs), and greater equity in these relationships, may be an important indicator of potential women's empowerment. Empowerment is expected to result from 'bonding' social capital, which arises from members' solidarity; 'bridging' social capital, which results from working on common agendas like enterprises; and 'linking' social capital which involves forging relationships with external institutions like banks, government and panchayats (Woolcock, 2000). The issue of how women's political empowerment demands more than just dealing with poverty reduction has also been debated

(Mayoux, 2001). The implication is that women's strategic needs may be better addressed by creating women-controlled organisations on the foundation of credit rather than just creation of more credit delivery organisations per se.

The instrumentalisation and discipling of women and their households through microcredit can result in less freedom and autonomy for poor women (Lingam, 2006). Thus, microcredit programmes frame women's empowerment "within the ideological and institutional parameters of capitalism" (Fernando, 2006b: 227-229). Special importance is placed on dalit women's political empowerment (Waghmore, 2005). In the microfinance models studied here, women could access their savings, and their experiences need to be supplemented with those of other microfinance models. There are, however, few studies which compare empowerment impacts across models, especially where women control and manage their savings compared with those who do not.

Discussions in the SHGs, their cluster associations, and Sampark staff all showed that a pre-determined structure of women's organisations, comprising two or three levels, could be inappropriate. In the specific case of Koppal, there was little standardisation of money management practices, and low credit absorption capacity, and women did not see the need or use of multi-level structures of credit organisations. Social cohesion and money management practices of SHGs were difficult to establish, so they considered the task of building each new tier of organisations problematic. They also believed that the administrative costs were high, and the corresponding risk and profit sharing low, and so did not want to have more than two tiers, comprising of just SHGs and their cluster associations.

It is claimed that SHGs are too small to be financially sustainable and well-managed organisations. Some argue that women must have more access to assets and management and control over their own financial institutions in order to create empowering impacts, both financial and social (Bhatt, 2005). Challenging the view that NGOs and MFIs must be prioritised over women's own cooperative institutions, Rajagopalan (2004b: 3-4) asks:

> "In whose interest is it to continue to project the savings of rural women as "micro"? In whose interest is to continue to ensure that the savings do not get paid an interest? That the primary agency in which savings are being made, is kept small, and informal in nature? SHGs, small as they are, cannot offer women long-term savings services. All that they can offer is to try and use the savings as collateral. It will be unforgivable, if we were to aim at women accessing the services of external agents, if this were at the cost of them building strong, inter-generational institutions of their own – and if our efforts contributed to further flight of capital from their areas."

There can be latent competition between those who manage federations and women members and leaders, with the former having a vested interest (continuity of their jobs) in not building capacities of women (Rajagopalan, 2005) and in some cases managers consider capacity building tasks as competing with the demands of their projects (Mosse, 2005). This endorses the finding that NGOs/MFI who seek to have financially sustainable microfinance operations may compete with the financial interests of women and their SHGs.

7.4 Concepts and Meanings of Poverty and Money

The research begins with a consideration of the various conceptualisations of poverty, regarding literature concerning the overlap between social and economic categorisations – lower castes having greater representation among the economically weak sections. Economic thought also recognises the regional nature of poverty, with greater proportion of the poor living in semi-arid regions. Similarly, the gendered nature of poverty has been well documented. Here all the four categorisations were used to select poor women in a semi-arid region.

7.4.1 Revisiting Vulnerability and Poverty

In the livelihoods analysed here, there were vulnerabilities arising out of poverty and the introduction of the new forum, namely SHGs.

The first type of vulnerability stemmed from economic deprivation, gender, caste, and social categorisation (e.g. devadasi). This vulnerability was sustained by the apathy of institutional structures – banks, social and religious institutions, and the government – further endorsed by recent research in Koppal district (George et al, 2005). The experience of being poor per se was not necessarily so stigmatising to the very poorest, especially the devadasis, who lived among others who were in the same situation, and whose status was not determined by material aspects of poverty alone, but by other parameters as well. For instance, Lakshmavva did not see poverty as a factor determining her status or vulnerability, but instead she resented her inability to be a 'wife'. She saw her 'powerlessness' in the social and gender rather than the economic sphere, assigning a different meaning to powerlessness and vulnerability than that considered in most microfinance impact studies, which take economic factors into consideration. Poverty here was closely associated with vulnerability, which has an element of 'powerlessness', and multi-dimensional, including ecological, economic, social, and gender dimensions, as also elaborated by Sen (1999). Other emerging research has also recognised that the poor experience multiple aspects of poverty (Narayan et al, 2000; Kabeer, 2005). Poverty and vulnerability were found to be related to asset levels, with human capital (in terms of the number of people in the household, literacy and skills) important to the asset base and credit-taking ability. This finding endorses other research which links literacy, education and skills with occupation, wages and poverty (Sundaram, 2001; Dreze and Sen, 2002). The potential for poor agro-ecological regions for greater reductions of poverty has increased attention to its regional dimensions (Jayaram and Srivastava, 2003). The continued prevalence of caste-based prejudices, and the human rights violation camouflaged in poverty is highlighted in Dalit literature (Narula and Macwan, 2001). Exclusive reliance on money to define poverty lines has been criticised as narrow, with the need to include nutritional levels and human capabilities (Pogge and Reddy, 2006) and other fundamental human needs like drinking water, shelter, shelter, sanitation and the cost of energy as well (Guruswamy and Abraham, 2006). Thus, emerging research endorses the conceptualisation of poverty in this research as multidimensional and emphasises the link between gender, social, economic and spatial categorisations as determinants of asset holding of households, their access to public resources, and the consequent impact on credit relationships that women are able to make.

The second type of vulnerability, arising from the introduction of group-based microfinance, was related to the mechanism of collective savings, either in SHGs or with the NGO/MFI concerned. SHGs are a new forum, introduced in traditional settings, and carry a mix of external and local characteristics. Financial and managerial tasks are introduced by the microfinance interventions, and the effectiveness of these depends on the capacity building of the intervening agencies, but may prove difficult due to women's low literacy and education levels. Leadership quality and processes, influenced by both local and external factors, also create vulnerability, especially as pooling and common management of funds is a new activity that risks women's sparse savings. Other research, both in Bangladesh (Fernando, 2006b) and India (APMAS, 2006) acknowledges that women's group leaders can appropriate benefits. Concerns have also been raised that women lose leadership space in order to be 'good borrowers', along with opportunities to build personal and joint assets and to manage organisations, thereby rendering them more vulnerable to a larger 'loan adjustment game' (Rajagopalan, 2005; Bhatt, 2005).

7.4.2 Is Microfinance "New Money"?

Money transactions in a traditional rural setting were largely individual, with different meanings assigned to money according to socio-economic relationships to the lender. The introduction of SHGs created new possibilities for women to join together, form new relationships between themselves, with banks and the government, and the NGO facilitating the group formation. These groups were embedded in village social structures, yet still had the potential to challenge existing norms and thus change relationships. These relationships were:

i) Towards one another, as they met regularly and conducted informal financial transactions that took on a semi-formal form through NGO monitoring and official recognition;

ii) Towards village social structures, as they begin to work for better school education, health or transport services, closing of liquor shops; and

iii) Towards the informal and formal sources of money, in terms of erosion of earlier and formation of new relationships.

These are arenas where 'new monies' are being created. These findings validate Zelizer's (1989) view that, individuals, institutional and social aspects influence the meaning of money, and also extends it to postulate that new structures and new relationships change meanings of money. The use of such new money, e.g. in creating social capital, creates possibilities for changing institutional structures, by making them more responsive, holding them more accountable, and improving their attitudes towards the poor.

7.4.3 Language and Meanings

Reflection on the divergence between external and local perspectives raises the question of which issues are relevant to debates (Brigg, 2006). For instance, the tension between outreach to the poor and sustainability of the MFI were well enough recognised (Berenbach and Churchill, 1997; McGuire et al, 1998; Christen, 2001; Mahajan, 2005). However, official project documents still assumed that it was possible to achieve such divergent objectives (CARE, 1997; 1999). This lack of recognition undermines the nature of the conflict (Sampark, 2003). It overlooks the different processes inherent in achieving the two objectives, of which one was closer to the interests of poor people (outreach), while the other reflected the aim of donors in the context of time bound projects (institutional sustainability). Thus, discourse and presentation can obscure problems of practice and also the values of development (Mosse, 2005). The language of 'empowerment' has arguably been appropriated by those who promote the neoliberal model and use microfinance to meet ends of capital expansion (Weber, 2004; Rankin, 2006; Lingam, 2006), and the concept and language of money has also been gender biased (De Geode, 2005).

Discourse represents the meanings we convey, and meanings of words can differ across time and cultures (Wilber, 2000). The local and external perspectives of practices in money management can differ quite significantly, and are indicative of what meanings are attached to these different terms by local women as against meanings attached by external development agencies. These differences are summarised in Table 7-1.

Table 7-1: Financial and Women's Perspectives

Financial Perspective	Attributed Characteristics	Women's Perspective
'Idle' funds	Cash retained with groups	'Emergency' funds
'Consumption'	Expenses on health, education	'Investment'
'Subsidies'	Subsidised credit	'Investment' in asset creation
'Credit' to be recovered	Loans	'Debt' to be repaid
'Joint liability' groups	Groups	'Savings and credit' groups
Sustainability of MFIs	Sustainability of MF services	Sustainability of SHGs

Distinction between Money and Credit

The Koppal women make a distinction between money and credit. Credit (*sala*), or external borrowing, is to be repaid. However, loans from own savings are seen as 'our money' (*namma duddu)* and thus there is greater freedom in repayment. Further, the understanding of 'own' has both an individual and collective dimension (Fernandez, 1994). To the extent to which any individual woman collected savings in the group, she considered it as her 'personal' money and deemed it her right to not repay a loan she took from the group, up to the full extent of her individual saving. As women pool in their savings, extend loans, repay into the group, and the pool continues to grow through savings and accumulated interest, the relationship to this accumulated amount grows to be as a 'collective' sum. When subsidised official loans involved 'commissions' (*luncha)*, women did not consider it *sala*, as the 'promise to pay' had been undermined by bribes or other loan conditionalities. This highlights that not all money is credit, as conceptualised by Ingham (2006), who considered all money as constituted by credit and debit relations, having a promise to repay. Here women differentiate between monies received in many ways.

Emerging research in other countries also shows how "debt is permeated with spiritual, moral and legal meaning" (Ferraro, 2004: 77), and also that this can have negative consequences at the household level (Brett, 2006).

Cash Retained with Groups

Money kept as cash balance in groups, in excess of that rotated as savings, is now termed 'idle funds' in microfinance practice (CARE, 2000), in a less preferred condition than when in 'rotation' and earning interest. From the women's perspective, however, excess cash balance was referred to as '*rashi*' (wealth), indicating the significance of that money as a reservoir to be drawn when needed.

Classical economics recognises the liquidity function of savings (Robinson, 2001). However, the financial perspective in current microfinance practice has the goal of financial sustainability of the NGO/MFI and marginalised the preferences of women, wherever it privileges the goal of institutional sustainability over that of empowerment of women, and provides the rationale for MFIs to access and control 'idle' funds of women for their 'better and more effective rotation'.

Expenditure on Health and Education

Investments in health and education continue to be seen as 'consumptive' rather than 'productive' loans, as they may not generate immediate cash flows from which to repay the loan. From the women's point of view, such expenses are not consumption but investment. This was first recognised in literature by Hulme and Mosley (1996), but the relevant financial instruments have only recently been changed (Premchander and Prameela, 2006).

Subsidised Credit

Another anomaly concerns 'subsidised credit'. The argument for not providing 'subsidies' has been justified on the assumption that they create market distortion (Yaron, 1992; Mahajan et al, 1998). However, just as 'debt' and 'credit' can be considered as two sides of the same coin, so can 'subsidy' be considered the converse of 'investment'. An initial input in the interest of long-term independence is often seen as 'investment' (Nissanke, 2002; Hendricks, 2002). This is just as valid in the case of poor households, who need investments in asset creation to become financially sustainable (Dunford, 1998). The same subsidy that is not considered justified for the poor is justified for the MFI, using the rationale of long-term MFI sustainability (CGAP, 2002). Thus, the same argument that enables donors to stop 'subsidising' the poor also enables them to shift the subsidy to delivery organisations. Donors have moved to 'investing' in intermediary organisations rather than investing in the 'poor' (Weber, 2004).

Groups

The term SHG implies self-help, but practitioners may use groups only for savings and credit activities, as evidenced by lack of capacity building support to SHGs. With such changes in the groups' role there has been no corresponding change in discourse, thus creating a discrepancy between espoused terminology and other practice. This has been highlighted in recent research, which emphasises that external agencies regard women as 'recipients' of inputs such as group formation, credit, and training. They ignore the agency of poor women and do not bring their potential to perceive meanings and act according to own motivations into programme planning and delivery (Premchander and Prameela, 2006).

Sustainability of Microfinance Services

Most discussion on the concept of sustainability inherently incorporates a normative understanding of what it is. A typical supply-driven perspective assumes that the sustainability of financial services is related to the financial sustainability of the microfinance delivery institution (Mahajan et al, 1998; Sinha, 2000). By contrast, this research accorded priority to sustainable management of resources by local actors. Women greatly valued their collective ability to augment their own resources, to leverage external resources (banks), and to manage their own finances. Therefore, even though the sustainability of microfinance services has been defined as the continued provision of financial services (Yaron, 1992; Otero and Rhyne, 1994), the meaning of sustainability for the external and local actors differs. These meanings have different implications for the design and implementation of microfinance programmes. For instance, when supply of credit through sustainable MFIs is prioritised, the programme would invest in the capacity building of MFIs, whereas when women's empowerment through managing own savings and loans is prioritised, programmes would invest in the capacity building of women and their organisation (Rajagopalan, 2004b; 2005). Moss (2005) also offers evidence that capacity building of local institutions required attention and resources that were considered to distract from project delivery and its targets.

Thus, 'languaging' can draw attention away from what is important to women, by assuming that what is important to local actors and to external organisations is one and the same. Women were not concerned with institutional/ financial sustainability; their immediate concern was with having credit for their priorities, on reasonable terms. The discourse of external agencies, and claims about 'microcredit empowers women', both obscure the differences between women and external priorities. They obscure two things: one, that poor women opt not to take, because they are not able to afford, high cost credit; and that external and women's own money management practices are directed at different objectives. It points to the appropriation of the language of 'gender equity' and 'empowerment' to further the objectives of external intervening agencies, which has also been validated by emerging research (Weber, 2004; Fernando, 2006; Rankin, 2006; Brigg, 2006).

The resolution of such issues can only be done on the basis of further research on how much donors invest in building sustainable MFIs versus building women-owned financial institutions.

7.4.4 Official/ Unofficial Blind Spots

The neglect of the government is evident in many instances such as: ignoring of devadasis, prevalence of child marriages, not recognising BPL families because the couple were under-age as per law, and not recognising the extent of school-drop-outs, also evidenced in the current research in Koppal (George et al, 2005). These are all examples/processes that highlight the lacuna that exists between the process of policy formulation and grassroots realities.

The different meanings assigned to terms can be problematic. For instance, the word 'credit' has positive connotations, in terms of enabling investment, yet women assign to it a binding connotation of 'debt', or a commitment to repay. Ignoring the responsibility that microcredit enjoins upon women to repay is at the risk of not understanding that what external agencies call 'credit' also carries the meaning 'debt' for women. This phenomenon has recently been highlighted in the increased number of farmer suicides in the States of Andhra Pradesh and Karnataka due to high indebtedness to MFIs (Shylendra, 2006).

National credit policies, which place SHGs in the informal sector, do not bring them under any banking regulations, and have not recognised the financial risks that are inherent in these new forms of association, especially for poor women. The banking sector and the government have formally recognised these as channels of credit, and permitted them to have informal savings. However the proliferation of unregulated SHGs also puts poor women's savings at risk, calling for further guidelines and measures (Premchander and Prameela, 2006).

In the Indian context, both the subsidised credit and the commercial microfinance models relegated the poor to the margins by making credit too costly for them. However, the emergence of the third model of SHG-Bank linkage offered a way out by linking traditional development banking with new market orientation. It allowed women's SHGs to retain their own savings while banks extended credit. This scenario is very different from Bangladesh, for instance, where MFIs take and control women's savings. Here different models of credit delivery suggest that MFIs cannot take away women's deposits unless authorised by banking laws to do so. This has created the potential for further transformation and change among all the actors involved: banks, government, NGOs, and community.

A new forum, through which financial services are delivered, namely the SHG, has enabled solidarity among the disadvantaged. Group based finance appears as a strategy that could deepen or bridge financial and structural inequities (e.g. by making caste based groups) and much depends on the actual interventions themselves. However, minimalist credit is based on the neoclassical model, and therein lies the contradiction: how can a forum that is created to exploit the existing social and power relations, work to change those structures? Being based on existing social hierarchies and divisions, group-based minimalist microfinance rewards those with higher asset levels, more than the poorest, as the former have larger credit taking capacities.

7.5 Final Reflections

The empirical validity of the divergent perspectives of interventionists and local people has lately been endorsed by similar studies in different parts of the world among practitioners and researchers (Dunford, 1998; Hendricks, 2002; Nissanke 2002; Fernando, 2006; Guèrin, 2006). This research contributes to this debate through an in-depth analysis of values of women and their SHGs into the discourse, and meanings of money and its different uses. Its major contribution lies in providing insights into group dynamics and how groups resolve conflicts and assign different meanings to different 'monies'. It bridges the gap between the understanding of women's SHGs (Wilson, 2004; Fernandez, 2005; EDA, 2006) and the understanding of the current context of group-based microfinance delivery.

7.5.1 Impact Assessment Frameworks and Methodologies

The predominance of supply-oriented studies of impact of microfinance has led to an overemphasised concern with causal relationships, and continued engagement with problems of fungibility and attribution. Addressing these problems is difficult using quantitative techniques (Cohen and Gaile, 1997; Sebstad and Chen, 1996). There is a need to supplement the causal paradigm with the relational paradigm, and study microfinance with models that explain relationships across structures, organisations, households and individuals. This research suggests a need to move towards more people/women oriented impact assessment methodologies, with greater attention to their livelihoods needs, and the types of impact they look for and value. Indicators chosen should be relevant for and articulated by them. The research methods which then become relevant are both qualitative and quantitative. Longitudinal studies and life histories are of particular benefit, as these provide further insights into women's lives and better livelihood choices. Mapping of local contextual factors is needed to study impact of forces changing in the external environment to enable a judgement of cause-effect relationships and processes of the intervention. Yet, attribution of impact to different forces remains problematic. Finally, even if impact of a specialised service like microfinance is to be mapped, the unique methodology followed in this research shows that more holistic studies are needed, and they should take a livelihoods perspective rather than a orthodox financial or organisation management perspective. In viewing how meaning of money derives from and how its use reproduces or changes identities, values and social relations at local and national scale, the research contributes to a better formulation of money as a potential change agent.

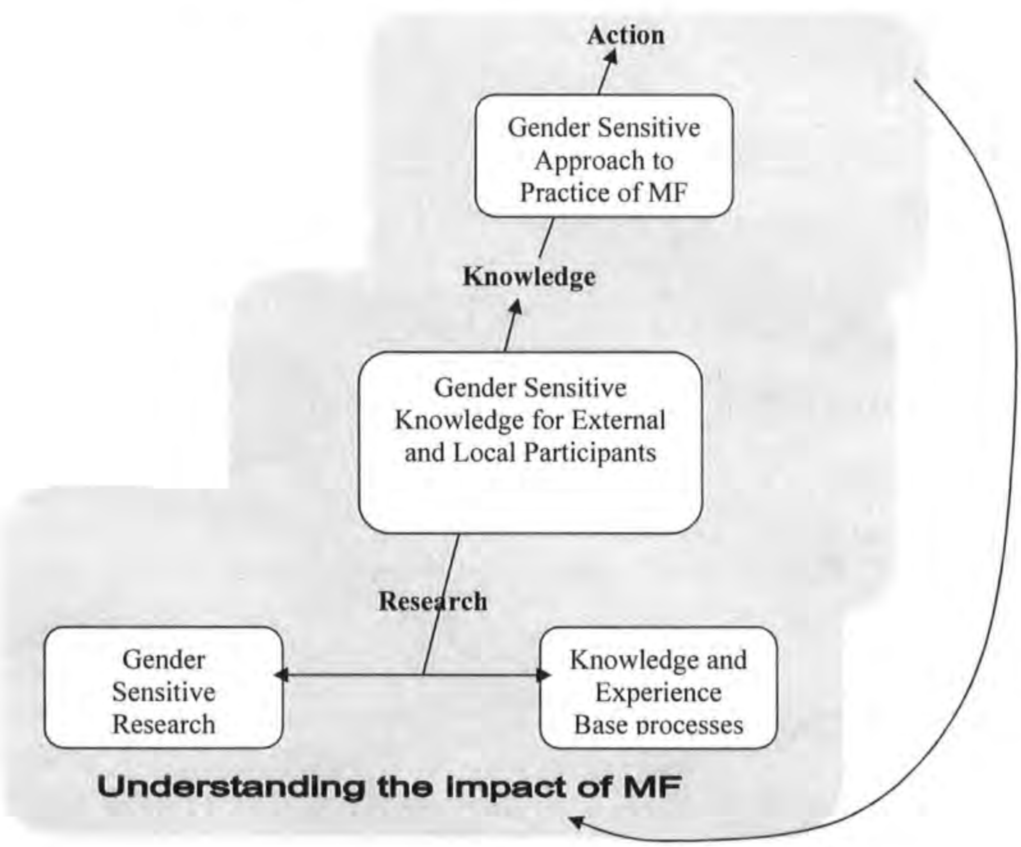
7.5.2 Livelihoods Frameworks

Multiple research frameworks group livelihoods aspects in different ways to provide insights, and, given their socio-cultural and political embeddedness, lend prominence to different analytical levels. In this research, these frameworks helped to analyse concerns of the marginalised, especially women, and to assess external and household level factors that affect both supply and demand for money, and determine how money is situated in a specific economic, ecological, institutional and socio-cultural context. Policies are formed at the macro level, but the process unfolds differently in each specific context, highlighting context-dependent meanings of money. Using the three frameworks led towards a livelihoods assessment approach for analysing conflicts arising from interface of different life worlds. The questions that arose relate to who will decide which perspective will prevail, and whether only local actors are responsible for their voices to be heard, or should all development actors ensure that the former have representation and voice (Freidman, 1992; Long and Long, 1992). The approach called for flexibility, autonomy, self-determination and control of the poor, especially women, over the financial system designed for them.

7.5.3 Gender Sensitive Research Methodology

Gender sensitivity is seen in its adherence and commitment to gender equality, as indicated in Figure 7-4. It leads to different political stand points about the use of development projects as 'interventions' whereby the 'intervening' agents seek to change the people and context 'intervened' upon. Gender sensitisation is a process of partnership and learning created through interactive processes that change both the 'intervener' and the 'intervened'. Such political agendas need to be recognised and brought into the discourse of both research and practice. This must be done while still dealing with strained livelihood situations, such as poverty, ill health, low education and awareness, caste status, and domestic violence. Thus, the need for creating research processes wherein there is space for women's voices to be heard was given priority here, as is now also emphasised by other research (Premchander and Mueller, 2006).

Figure 7-4: Gender Sensitive Research to Practice



The participation of women in research was constrained by their acute lack of time, which was taken up by vital life maintenance tasks (Premchander and Menon, 2006). If research is a learning process these women rarely have the time to participate in it. The question is whether, given this context, research must insist on women's participation, or continue to talk to men as the representatives of their households.

Gender sensitivity in research is a value, not a matter of convenience and practicality. If the researcher asks for women's time, and this is important to the quality and validity of its results, the responsibility arising from it is to provide a reasonable return for their time. The recommendation here is that time and commitment needs to be made to looking for appropriate practical contributions of every research that uses the time and knowledge of poor women.

7.5.4 Further Research

This research was undertaken in the context of one model of microfinance delivery, i.e. with the NGO as a 'facilitator', not a 'provider', of loans. The comparative impact of different models of microfinance delivery merits study to understand their differential impacts.

There is a need to understand better the nature of acute poverty, and what it means to those who experience it. Currently, this issue is much debated, and includes issues of rights, entitlements and of experiencing development as a process that frees the poor from several constraints and gives them rights as citizens (Sen, 1999; Narayan et al, 2000; Kabeer, 2005). However, measurements of poverty by most development agencies continue to be money related (Douglas and Ney, 1998; Guruswamy and Abraham, 2006; Pogge and Reddy, 2006). Further research is also needed on local moneylender relationships, to understand the role of rural credit suppliers, namely the inputs-trader, the provision shop, the landlord and the pawnbroker. There are significant differences among these relationships and a differentiated understanding, incorporating both money and non money exchanges, can better inform the current thinking and planning of microfinance supply initiatives. Other relevant questions are regarding the differences between moneylenders and commercial microfinance. The high interest rates charged by commercial microfinance are often viewed as necessary for coverage of risks on non-repayment; moneylender practices of high interest rates are based on the same logic. Moneylenders foreclose on securities in case of non-repayment, while MFIs call on joint liability of groups to fulfil the condition of full repayment. Further research is needed to see the ground level impact of such practices imposed by MFIs, and emerging research already highlights collusion between NGOs and money lenders to the detriment of the poor (Rankin, 2006; Fernando, 2006; Brett, 2006).

This research, using an actor-oriented approach, highlighted several macro level issues related to power structures and institutional interactions in the field of microfinance. These issues would lend themselves to understanding the emergence and transformation of financial relations in terms of power, competition and institutional forces (Keister, 2002; Biggart and Delbridge, 2004). This research also underscores the need to understand money through semiotics, and using the discipline of linguistics in the exploration of the meaning and use of money.

There is also a need for more in-depth research into the nature of civil society analysed in terms of groups and networks, and their values, livelihoods strategies, and negotiation and learning processes. It identifies a need for further research into situations of environmental degradation, which will illuminate the potential for collective and collaborative action towards enhancing sustainability. The need for studying social orientations is paramount as this has the potential to break the strongest barrier to equality and human rights, that of inner orientations and beliefs of people. Bhuiyan et al (2005) endorse this direction when they call for examining theoretical issues about why the process of 'norrmalisation' is not more challenged or dismantled. Rist et al (2006) also indicate the need for case studies to explore barriers and potential for communicative action.

The progression of high input agriculture into low returns, degradation of soils, depletion of groundwater, and the conflicting perspectives between livelihoods sustainability at the household level and sustainability of natural resources at the community level, all need to be tracked over long periods of time.

7.6 Relationships and Benefits for Women

The researcher here made a long-term commitment to development, and also had the intention to find ways of providing practical benefits to the local community from the research process. The relationships and benefits arising to the researcher, women participants and the local community are now discussed.

During the research partnership, women became more emotionally attached to the process of sharing as well as to the researcher, and reportedly missed the 'friendly meetings' when the frequency of interaction reduced after data the collection phase. The researcher consciously found the time to continue meeting the research participants, despite other work engagements. These processes of sharing emotions and joint learning from life stories of women led to building relationships between the researchers and the women, and motivated both to take more positive action to improve their own and other women's lives. These relationships and common values provide a foundation for freedom and enabling of women's agency. One striking result of this research was a realisation how women could benefit from consolidated learning from their own past experiences and discussion of future aspirations. It was evident that despite being marginalised economically, socially, culturally, and through religion, none had dedicated their own daughters as *devadasis*. Their life stories included courageous decisions at different stages of their lives, whether it relates to choice of partners, birth control measures, or taking financial risks. The incidents in their lives reinforce a belief in the capacity of poor women to bring positive changes not only in their own lives, but also in those of others in their community. Researchers and development agents need to take more serious cognisance of the agency of women and their potential for courageous and collective action.

The women claimed that they had benefited in several ways from participating in the research. The charts and diaries collected stayed with the women; the researcher only copied such information. Findings were not only shared in workshops, but spreadsheets were brought back and openly discussed. This called for a reciprocal responsibility to ensure tangible benefits to the women research participants, which was later fulfilled by obtaining grants for education of the poorest children, a credit fund for education, local organisation building and linkages for official credit for sustainable management of land and water resources.

Researchers cannot escape from ethics even when applying a supposedly value free research method. Whether at the moment of setting the research issue, or when dealing with participant interactions, certain ethical choices are always present.

Taking into account that development research forms part of the development agenda, it is necessary to decide how to balance the different expectations raised by the research process. Experience showed that compensating the cooperation of the participating women individually may have contradicted their own ethics and those of the facilitating NGO and researcher. An ethically acceptable solution to the dilemma could be found due to the NGO's institutional commitment, which allowed it to integrate the process of development research as a means for improving reciprocity between local and external actors through a better mutual understanding, and efficient use of the capabilities and resources of all the actors involved. This in turn implies that research must select people and institutional partners who are willing and able to give continuity to the relationships.

7.6.1 Continuing Divergences and Limits to Collaborative Support

Collaborative action between external and local actors is not, however, always synchronous, or can be made so: there remained continuing divergences. The research used an NGO as a base, and there were also emerging divergences in women's perspectives and those of the NGO. One concerned the realisation that the NGO emphasised financial over other ways of empowerment, so that certain issues were not addressed directly, such as gender differentials in agricultural wages, child marriage practices, health and hygiene, or the caste discrimination practices followed in the villages.

The findings raised the question about the limits of microfinance. The NGO introduced education, mental health support and vocational training for women and their children, but encountered some resistance with respect to land-based income generating activities and sustainable agriculture. These raised a dilemma for the NGO: if they were to foster long term ecological sustainability, this would demand working with the more endowed people in the villages, who controlled land ownership. The poor had a low ability to absorb productive credit, and would need long time periods for impact and development of new pathways. These issues were articulated and discussed within the NGO, which opted to continue to work with the marginalised sections, but also realised that this limited its potential for impact on livelihoods beyond the limited resources it could access for this target group via official and external agencies.

7.6.2 Reflections on the Process of Research

This research spanned issues from macro to micro level, and accorded priority to women as agents of change in their own livelihoods. Their participation and cooperation arose over three years. These women perceived their situation not as a closed world from which there was no exit, but as a limiting situation, which they could nevertheless transform (Freire, 1970). The research had the effect of providing more 'liberating' education, with women expressing their situations of being marginalised, and then even over the relatively short period of research, making efforts to release themselves from the financial and physical dominance that they faced in their households.

I was in touch not only with the women, but also with two of the authors of the livelihoods frameworks used. I was also able to exchange my experience of applying these frameworks with others who had used them. This helped me to understand the potential and limitations of the frameworks, by applying them. The continued contact with practitioners, reviewers and researchers helped me realise how their perspectives were shaped, and how their own livelihoods were linked to the growth of the microfinance industry. The problematic aspect of these relationships between researchers/consultants/advisors and the sponsors was highlighted (reference –news paper article). By becoming aware of the influence of such linkages, I opted to concentrate on the demand side, as my own engagement and concern was and continues to be for improvement of lives of poor women.

7.7 Subsequent Developments

During the period of writing the thesis, a consortium of six donor agencies, including CARE International, Catholic Relief Services, GTZ and USAID, commissioned a study covering Self Help Groups in three States of India, exploring several of the aspects outlined here. Several further research studies have also been commissioned to understand group dynamics better. At the policy level, I was asked to head a research project to examine empowerment impact of microfinance policy and programmes, and to help design microfinance programmes that enhance women's empowerment.

I was offered a fellowship by the National Centre of Competence North-South, a large international research project, headquartered at the Centre for Development and Environment, University of Berne, to deepen my own work and support other researchers with gender sensitive and actor oriented research methodology, in different parts of the world. This afforded me an opportunity to work with other research scholars to jointly improve the quality of both research and its practical orientation and application.

Three private foundations have extended support for Sampark's livelihood support initiatives in Koppal. This helped me honour the commitment I had made, to meet the expressed needs of poor women: education of children, skill training for employment or enterprise for school drop-outs, and community based emotional counselling support through women's SHGs.

Through these linkages, I will be able to maintain my profile as researcher-plus-practitioner and enhance my own personal experience of trans-disciplinarity (Hurni et al, 2004; Hirsch, 2006), i.e. linking research and action in a mutually reinforcing learning cycle. I have felt a deep personal transformation, and am now a more politically aware person, both as a researcher and as a development practitioner. With these new perceptions and orientations, I hope to apply my skills again to positively influencing poor people's lives, especially those of marginalised women.

Appendix 1
NGOs Details and Impact Literature

1 NGOs visited in Phase 1

During the research period, several NGOs were visited for conducting impact studies and getting an overview of the aspects studied, the methodologies, tools and the indicators used by them. The organisations visited are listed in Table A1-1.

Table A1-1: Organisations Visited Between 1998 and 2003

Organisations, Year	Focus of Discussion and Remarks
Milk Unions in Valsad district (Gujarat) and Malabar district (Kerala) (1998-99)	• Women's savings and credit groups have been accepted as the channel for women's empowerment • Impact indicators are different from the perspective of the NGO and the groups/ women
NGOs in Orissa, Andhra Pradesh, Kerala (6) Coverage: 6 NGOs, 6 groups (1998)	• Supply and demand side issues were different • The group was seen as a means to an end. Group and NGO processes determined many aspects that influenced impact. Yet, impact per se was traced at individual and household levels
Workshop with 25 NGOs, and 2 funding agencies (FWWB and USAID) on micro credit (1999)	• NGOs and funding organisations discussed issues of financial sustainability, interest rates, impact and ownership of institutions • NGOs related tensions at field level, especially the pressures of government programmes vitiating the atmosphere. A donor representatives opined that women's ownership and management was not relevant to delivery of financial services
30 groups in Ranchi district of Bihar (now Jharkhand, a separate State), through 2 NGOs (1999)	• Indicators of impact were sustainability of credit operations at NGO level, group savings, attendance, women's contribution to income, and financial decision making
4 groups and 3 NGOs visited in Bastar, Madhya Pradesh (2000)	• Tribal area, very poor people in remote areas where micro credit had limited relevance
Workshop in Koppal, Bikanhalli village, 1 NGO, 1 village, 25 participants (2001)	• Natural Resource Management was the focus of the programme
Case studies of 10 women, in depth case studies from 5 villages in Koppal district (2001-2003)	• Exploratory work, spanning family and work life, income and expenditure analysis. Study also at group level • Quality of data varies for each woman, non-standardised but good in-depth information given by women, validated also through intermittent workshops with them
3 workshops with villagers in Bikanhalli, follow up of livelihoods workshop (2001-2002)	• NGO, group and family level observations • Observed role of NGO, group members, and villagers action with regards to resource management
2 NGOs, 2 federations and 4 groups (2002)	• Discussions with funding and apex agencies, NGOs, federations, groups, individual women • Understanding role of groups and federations in savings and credit • Tensions between NGO staff and management clearly discernible, and pressure of transformation on NGO quite clear
UNOPS review, SFMC project implemented by SIDBI (2002)	
UNOPS review, North East (2003)	
3 NGOs in Orissa, 10 groups in 2 districts (2003)	

The details of several visits made to women and NGOs outside the study area, through conferences, workshops, and group settings, is listed in Table A1-2.

Table A1-2: Number of NGOs and Groups Visited During Research Period

Particulars	Number
NGOs for detailed discussions, field visits	25
NGOs through workshops	25
Groups visited	70
Women covered through group discussions	750
Women participants in longitudinal study	10

These reviews of impact studies and field level discussions with a wide range of institutional and local stakeholders in microfinance helped clarify the divergences that existed in perceptions and perspectives, and thus formed the basis of the delineation of the research themes as outlined in Chapter 2.

2. Literature - Reviewed Indicators and Tools

During the research period, several impact studies were reviewed to get an overview of the aspects studied, the methodologies, tools and the indicators used by them for impact assessments. Twenty impact studies, of which 18 were donor initiated, are listed in Table A1-3.

Table A1-3: Review of Selected Microfinance IA Studies

Organisation Studied	Year	Country	Donor Agency
SHARE, MYRADA, PRERANA	1999	India	Friends of Women's World Banking FWWB, as funding agency
South Asia Poverty Alleviation Programme (SAPAP)	2002	India, Andhra Pradesh	UNDP
CYSD 1	1996	India, Bhubaneshwar	NOVIB, OXFAM
CYSD 2	2001	India, Bhubaneshwar	Ford Foundation sponsored Action Research Project with Universities of Bath, Sussex and Reading, UK
SHARE	2000	India, Andhra Pradesh	
PRADAN (Dhan)		India, Madurai	
ASA	1999	India, Trichy	Chairman, ASA initiated
ASA	2000	Bangladesh	ASA, donor supported
The Bridge Foundation	1990	India	TBF initiated
China Women's Income Generating Project	2000	Canada	Canadian Cooperative Association
UNICEF (FDP)	1998	Egypt	SEEP, AIMS studies
KATALYSIS	1998	Honduras	Freedom from Hunger
Reseau des Caisses Populaires du Burkina (RCPB)	1997	Mali	Freedom from Hunger
Workers' Bank	1998	Jamaica	AIMS
SEWA Bank	2000	Gujarat, India	AIMS
Grameen Bank Bangladesh	1998	Bangladesh	Grameen Bank
BRAC-I BRAC II	1997 1999	Bangladesh	BRAC, donor supported
Proshika, two studies	1998 2002	Bangladesh	Proshika, donor supported
CETZAM	1999 2000	Zambia	DFID
CARE Manual	1995	Bangladesh	Only manual made, no information on its implementation

Many of these above studies used several participatory tools that helped to analyse one or more aspects of microfinance impact. A listing of the major tools is given in Table A1-4.

Table A1-4: Tools

• Internal learning systems • Action learning workshops • Means test • Impact survey • Exit survey • Focus group discussions • In-depth interviews • Impact survey • Client exit survey • Client satisfaction survey • Client empowerment survey	• Loan and savings use • Decision making matrix • Gender division of labour and resources mapping • Mobility mapping • Happiness mapping • Caste discrimination mapping • Chapatti diagramming • Wealth ranking • Pictorial diary • Diagrams • Life story interview

These tools were compiled from 51 studies, which ranged from impact studies of specific projects to methodological reviews. They included: Guijit and Cornwall, 1995; CYSD, 1996; BRAC, 1997; Mayoux, 1997; PRADAN, 1997; UNDP,1997; AIMS, 1998; Proshika, 1998; Blank, 1998; Grameen Bank, 1998; Nigam and Manowar,1998; ASA, 1999; Cheston and Reed, 1999; BRAC, 1999; CETZAM, 1999; Chen et al, 1999; Bayes, 1999; Chen and Sondgrass, 1999; Roche, 1999; ASA, 2000; ICMC and PRIZMA, 2000; CCA, 2000; AIMS, 2000; CETZAM, 2000; Baumgartner et al, 2000; SHARE, 2000; CYSD, 2001; AIMS, 2001; CASHPOR, 2001; CMF, 2001; FWWB, 2001; Mayoux, 2001; MYRADA, 2001; Cheston and Khun, 2001; Murthy et al, 2002; Schurmann, 2002; ASA, 2002; TBF, 2002; UNDP, 2002; Andharia, Dand and Mayoux, 2003; Johnson, 2003; Wilson, 2003; Copestake, 2003; Noponen, 2003; Brody, 2003; Deshpande et al, 2003; Mayoux 2003a, 2003b, 2003c; Sinha and Patole, 2003; Menon, 2003; Atkinson, 2004.

3. NGOs in Koppal District

The 17 local NGOs working in Koppal district are listed in Table A1-5.

Table A1-5: List of NGOs in Koppal District during Research Period

Sl.No.	Name of the NGO
1.	Bharatiya Agro Industries Foundation (BAIF)
2.	Chetana Foundation
3.	Ekalavya
4.	Guru Shikashana
5.	Institute for Rural Development and Education Society (IRDS)
6.	Jnana Bharati Education Society
7.	Mahila Samakya
8.	Manju Shree
9.	Olekar Education Society
10.	Outreach
11.	Pastoral Service Institute (PSI)
12.	Sampark
13.	Samuha
14.	Sarvodaya
15.	SHARE
16.	Swayam Krutha Sangha
17.	VIKASA

Appendix 2
Questionnaires and Codes for Analysis

This Appendix details:

1. The semi-structured questionnaire that was used to collect information from the ten women case study participants
2. The questionnaire that was used for collecting information on the facilitating NGO, Sampark, and the information collected
3. The codes used for analysing the information in the case study interviews and narratives.

1. Questionnaire for Women Participants

Demographic Details

1. Name of woman
2. Name of village
3. Taluk
4. Name of parents' village

Family Details

5. Name of husband/ father
6. Married/ Unmarried/Widow/Separated
7. Members of the household (details of age, dependent or not, children, school-going children, disabilities)

Land and Assets

8. Total land
9. Irrigated/ Un-irrigated/ Uncultivable (plot sizes, location, including land in other village, if any)

10. Who owns piece of land or in whose name the land is registered?
11. Land taken on lease for cultivation or given out on lease
12. Equipment (plough, tractor, other)
13. Livestock (cows, buffaloes, bullocks, chicks, pigs, goats, etc.)

Cultivation and Income

14. Seasonal calendar of crops sown. On which piece of land? How much is harvested? How much is kept for home consumption/ seeds? What are the earnings? How long is the food grain kept? How long does the cash earned last? What is the family's work pattern during the period soon after harvest as opposed to when the food stocks are low?
15. Crop details (jowar, ragi (minor millet), peas, other vegetables, oilseeds, pulses, etc.)
16. Income and activities of members (trading, craft work, tailoring, watch making, hair processing, selling cow or buffalo milk, etc.)

Migration/ Bonded Labour

17. Is any member of the family working as a bonded labourer? With whom? Since when? Details of the need that led to the bondage.
18. Has any family member migrated? If so, where, for what periods and for which activity? Earnings during the migration period? Does one person go or does the whole family migrate? What is the effect on children's education during this time? If the woman stays back with children, how are her expenses met?

Other Family Details

19. General well being of family, education levels, etc.
20. Comments on relationships within the family as observed

Aspirations

21. Where does the family want to reach? What are the woman's own aspirations for herself and her family members?

Use of Natural Resources

Land

22. A detailed land use chart with each woman/ household, to find out land use and earning pattern
23. Fertiliser and pesticides used, and whether these are organic or chemical. For which crops are these used, and in what quantities?
24. Has land degraded in any observable way over the past ten years? (e.g. soil salinity)
25. Problems perceived by the family relating to agricultural productivity?
26. Impact of uncertain rains on farm management strategy?

Water

27. How much water does the family use every day, for what purposes (bathing, cleaning cattle, washing vessels, cleaning house, cooking, drinking, etc.)?
28. Within the family, who uses the water, who fetches it, how much does each member use and for what purpose?
29. From where do they get the water for each purpose?
30. Are there any common tanks in the village or nearby?
31. Who has provided these sources (traditional common ownership, common usage, government provided, privately dug and owned, etc.)?
32. Any caste restrictions for ownership and usage of private or common sources of water.

Forests/ Any other Common Property Resources

33. Did forests exist anywhere near the village? How long ago? How did they disappear?

34. Have there been traditionally protected common grazing lands near the village? What is their condition now? How are they used?
35. Rivers, if any, or how is the water from the Tungabhadra dam made available to the villagers?

Labour

36. Deepen details of family's use of labour, discussed in earlier sessions.
37. Does the woman have control over her own labour? Who decides whether or not she would go for casual farm labour on a particular day or not? What are the factors influencing these decisions?
38. Does the woman participant have access and control over her children's labour?
39. If a child in the family is not going to school, why? Is the child (female or male) required to do family chores, child-care or farm labour? Who decided that she/ he should drop out of school and do this work? When?
40. How much labour does the family put in, including all the members taken together?

Cash

41. General details about how monetised the village/ *taluk*/ district economy is.
42. Which transactions take place in cash, and which are done through exchange of labour and other commodities (e.g. systems like crop sharing, water sharing are part of non-monetised transactions)?
43. Separate seasonal calendar for earning and expenses, and a different one for crops. It includes
    - What are the expenses and income for different crops?
    - What are the sources of resources to meet these expenses?
    - On what items has the money earned been used? Or how has the money earned been spent?
44. The woman/ family will record as much as possible of this exercise, and the emphasis will be on learning from it and enjoying it. This is also a part of the

process of ensuring that the information is valid and has been triangulated (with the chart on crops and land usage, and by other family members).

Relation of the Woman with the Group

45. When did she join the group?
46. Why did she join the group?
47. Total savings of group and of individual women
48. Loan taken from the group, how it was used, how much was returned, any over dues?
49. Details of her attendance in group meetings, participation, leadership, etc.
50. Her perception of benefits from joining the group, and disadvantages/ difficulties arising from doing so, if any
51. Aspirations of woman, children, and family members
52. Other non-material aspects shared by the woman about her family

1 Questionnaire for the Facilitating NGO

1. Name and address of organisation

Sampark, 120/A, 17th Main, KHB Colony, 5th Block, Koramangala,
Bangalore – 560095, Karnataka, India.
Ph: +91-80-25530196, 25521268,
Tel fax: +91 –80-25529557, Email: sampark@sampark.org, Web: www.sampark.org.

2. What is the stated mission of the organisation?

Sampark's mission is to improve the livelihoods and condition of the rural poor by facilitating people's initiatives and management in the sectors of education, sustainable natural resource management (SNRM), micro credit and micro enterprise.

3. Year of establishment

Registered as a charitable organisation under the Karnataka Societies Registration (1960) Act in 1991.

4. Location of work

Koppal district, Karnataka, India.

5. The sectors in which Sampark operates

These include micro finance, education and vocational training, mental health support, skill training and water conservation.

6. When did the organisation start working with microfinance?

Sampark started savings and credit activities in Koppal through women's self help groups from 1999-2000.

7. What is the total number of villages, groups, and members?

The number of villages and the details about groups is given in Table A2-1.

Table A2-1: Coverage of Sampark's Work in Koppal

Year	SHGs	Mens Groups	No. of Women	No. of Villages
1999	20	-	600	8
2001	120	-	1700	15
2003	180	-	2700	25
2004	160	8	2500	35
2006	147	10	2396	40

8. Total staff

Field office: 6 Full time and 3 Part time staff and 10 Animators

Head office: 5 Full time and 5 Associates

9. Total operational expenses per year (2004-05)

Field Office Rs. 600,000 ($ 13,636)
Head Office Rs. 800,000 ($ 18,182)
Total Rs. 1,400,000 ($ 31,818)

These expenses include all the activities of Sampark, including those of its microfinance programme.

10. Does the NGO provide credit to SHGs, provide bank linkages, or both?

Sampark encourages banks and departmental linkages directly to the groups and cluster as priority, but wherever these are not possible, Sampark lends to such groups through clusters.

11. Sources from which the NGO has received credit, between 1999 and March 2006.

Table A2 - 2: Credit Linkages

Institutions	Amount in November 2004	Cumulative Amount in March, 2006
TBF	Rs.4,27,000 ($ 9,408)	Rs.4,27,000 ($ 9,408)
KSWDC	Rs.3,00,000 ($ 6,666)	Rs.3,00,000 ($ 6,666)
Cluster loan/Sampark sources	Rs. 1,00,000 ($ 2,222)	Rs. 11,66,200 ($ 25,915)
Banks (directly to groups)	Rs. 6,00,000 ($ 13,333)	Rs. 16,44,200 ($ 36537)
Total	Rs. 14,27,000 ($ 32,432)	Rs. 35,37,400 ($ 78,608)

12. Sources from which NGO has received grants for the MF programme

Sampark has not received any large grants for its microfinance programme, though about one fourth of the expenses of group formation were supported in 1998 by a small grant from DFID, and during 1999 to March 2004 by Karnataka State Women's Development Corporation (in turn financed by IFAD and World Bank financed programmes).

13. What is the interest rate that members and groups pay on loans? Is it kept standard or does it differ depending on the source of funds?

Sampark plays a facilitation role in the micro finance programme. SHGs are organised in clusters of five to six groups. Sampark links the groups to banks or raises loans based on the needs of groups and clusters. The money is transferred directly to the accounts of the SHGs or clusters. Clusters then provide the loan at a standard interest rate of 24% to groups and the groups fix a rate of interest on loans to members, which is usually between 24 - 36%.

14. Do the savings stay with the NGO or the group? Are they also rotated as credit? Is the purpose different for the loans taken from external sources?

Each SHG collects the savings from its members during the weekly meetings, and rotates the savings as credit among the members. Such loans are often used to meet the expenses of health, education, festivals, agricultural inputs and small businesses.

15. Does Sampark maintain separate accounts of the MF operation, its costs and earnings?

Sampark has only bank transactions (transfers) in the micro finance operation, and does not engage in cash transactions with SHGs. The clusters and groups maintain the records and books for the MF operation, costs earning etc. They make loan repayments to banks directly, without involving Sampark. In cases where help is necessary to access the money from another financing agency, e.g. TBF, Sampark collects the money from the cluster and repays the instalments due for which it keeps separate accounts. The overall capacity building expenditure is not, however, allocated separately to microfinance.

16. Financial viability of the MF operations

The clusters/groups do not pay/bear any of the administration costs of Sampark. They manage their earnings and expenses and usually make a profit at the group and cluster levels. The profit is added to the common fund in groups and clusters. Sampark bears the operational costs for supporting the capacity building of women and their SHGs through its own resources.

17. Kinds of services provided to groups

These included group organisation and training, exposure visits, confidence building, leadership development, information on government schemes, help with opening bank accounts, bank linkage for credit to groups, skill trainings (e.g. *Kasuti* hand embroidery, pickle making and brick making etc.), business start up training, and marketing linkages for some products.

18. Sampark's experiences and lessons in the field of MF

Lessons about development of groups: Sampark started its fieldwork in 1998 and it took six months to convince women about savings and form three SHGs in June 1998. Slowly, when they saw the operation of these three groups, women themselves came forward and formed new SHGs. Over a period of time even men from a few villages requested Sampark to help them in forming men's groups. Women members of older SHGs have now taken on the role of promoting SHGs and Sampark is involved in building their capacities to become sustainable in future.

Lessons about management of MF operations and sustainability of MF operations: During the initial years, banks were unwilling to provide funds to SHGs, and at this time, Sampark provided credit directly to the members of SHGs. As Sampark managed this operation, the groups did not take responsibility for the repayment, and Sampark lost money. The SHGs and clusters perceived no role for themselves and did not keep any financial margin to cover their operational costs. After this experience, Sampark decided to limit its role to that of a facilitator. Its strategy now involves linking SHGs and clusters directly to formal sources of finance, resulting good repayment rates and capital generation for women-owned institutions.

Lessons about whether MFIs, NGOs or women-owned organisations should do MF operations: Sampark's experience has led it to a strategy whereby the NGO concentrates on development work rather than running parallel financial operations. It sees its role as an NGO in linking the SHGs to local banks and other external financial institutions.

2 Codes for Analysis

ATLAS.ti is the software that was used to analyse qualitative data of ten indepth case studies of women participants. A set of eighty two codes that are used to analyse the relationship between and among research themes are listed below:

1. Advance_loan
2. Agricultural_ practice
3. Agricultural_expenses
4. Assets_expenses
5. Attitude_perceptions
6. Awareness_knowledge
7. Bank_loan
8. Business_details
9. Business_expenses
10. Business_family_responsibility
11. Business_motivation
12. Business_skills
13. Changes_ in_life
14. Child_education
15. Climate
16. Collective_Orientation
17. Community_ relationship
18. Credit_gift to others
19. Cropping_ pattern
20. Cultural_ aspects
21. Family_ planning
22. Family_background
23. Family_migration
24. Future_aspirations
25. Gender_decision_making
26. Gender_education
27. Gender_leadership
28. Gender_responsibility
29. Gender_social
30. Govt_Economic
31. Group Assessment
32. Group_awareness
33. Group_changes
34. Group_changes
35. Group_community
36. Group_decision
37. Group_family_changes
38. Group_leadership
39. Group_loan
40. Group_loan_recovery
41. Group_objectives_activities
42. Group_participation_responsibility

43. Group_problem_solving
44. Group_records
45. Health_economic
46. Health_issues
47. Household_expenses
48. Income_agriculture
49. Income_cash
50. Income_cash_business
51. Income_kind
52. Income_labour
53. Income_livestock
54. Income_loan
55. Income_partner
56. Infant_mortality_rate
57. Labour_expenses
58. Land_pattern
59. Landlord_Loan
60. Literacy_level
61. Livestock_ expenses
62. Loan_benefits
63. Loan_differences
64. Loan_economic
65. Loan_purpose
66. Loan_repayment
67. Loan_utlisation
68. Natural_ resources
69. Natural_ resources_ difficulties
70. Natural_ resources_utilisation
71. Non_money credit
72. Outside_group_loan
73. Personal_profile
74. Relatives_loan
75. Research_methodology
76. Savings_economic
77. Seasonal_calendar
78. Social_aspects
79. Socio_economic
80. TBF_loan
81. Village_profile
82. Water_use

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